

# Is India Economically Healthy?

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**Abstract:** *Economically healthy has many perspectives which includes financial health of a country, the monetary system, the fiscal policies, the banking structure functioning, the taxation system, the new roll-outs such as GST, the stock market functioning, the interest rates, inflation rates, forex, GDP figures, household conception, savings, young population, debt structure, foreign reserves etc. India is a developing country and among the plethora of examples, this paper shall be highlighting few topics such as GDP (Gross Domestic Product) which is the main indicator of a country's health along with its partnering factors. In this paper India will be taken as a sample and the method used shall be in graphical and tabular in percentage format. The long-term perspective is very positive about Indian economy on the whole making it is a strong and developing country which is indeed economically healthy no matter in short term perspective the challenges and turbulences keep on hindering its pace of growth. According to a report by PWC (price water house copper) India can take over US by 2050 or so in terms of purchasing power where India is currently standing at 3rd position.*

**Keywords-** *gross domestic product (gdp), forexmarket, onetarypolicy, gst, indian stock market*

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## 1. INTRODUCTION

Today, at this phase of life, we all are aware of the current economic situation of our country India and where does it stand internationally to represent itself on a global competitive platform in tough and stiff competition with other eminent countries. GDP (Gross Domestic Product) is one the most important factor determining the health of any country or economy especially if it's a developing country like us. GDP enfolds many data such as where the country is heading, how much progress it made year-on-year(y-o-y) and how much does it contribute globally. The answer to these questions is nutshell in one word- GDP! It means the overall production in a country which determines whether a country is growing or is stagnant or moving towards decline. If GDP continuously falls for three consecutive quarters, then its assumed that the country might fall into recession and vice-versa.

GDP in other words means the national income of a country which is the summation of country's expenditure and income. Higher the GDP better it is. Every country globally calculates it to analyze its position on a global platform. There are various methods to calculate GDP such as net income method, expenditure method and national output method. So I think that to prove weather an economy is healthy or not no measurement can perform better than GDP to prove it in the right direction successfully. It takes into account the production, imports, exports, income, expenditure, consumption, government spending etc; what else could reveal in a transparent way the health of an economy apart from it? What GDP does not take into account is the stock market movements which we can say is its drawback for showing the economic health though stock market itself is an economic indicator of a country's health. Stock market is also a strong indicator which is quite instant to see. Any kind of continuous fall or rise over a period of time gives a short-term indication of country's health but that might turn out to be short term or temporary, so we cannot blindly rely on the stock market movements purely in a developing country like India.

## 2. Statistical Data

Below are few statistical data and figures which has been explained taking into consideration this topic of economic health in regard to our country India.

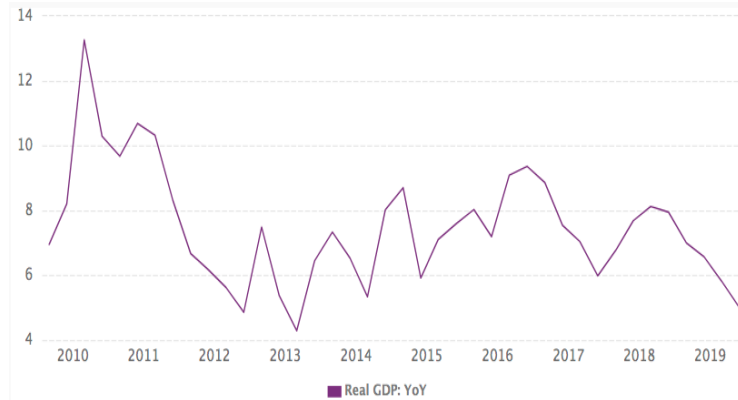


Figure 1: India's GDP rates YOY 2010-2019 (RealGDP)

The above figure 1 represents India's GDP rates YOY 2010-2019 (Real GDP). As we can see from the above figure that the GDP rates in 2010 was approximately 7% and gradually it rose towards 13% but due to recession the figure disclosed crashed and came down to as low as 5% which depicts a bad figure all together. From 2012 to 2015 the rates hovered in the range of 4%-7%. From 2016 onwards we see some hope of rising trend but that did not prove to be long-lasting and effective. We can notice an alternative year dip in GDP rates i.e. 2015 dip, 2017 dip and 2019 dip in GDP rates.

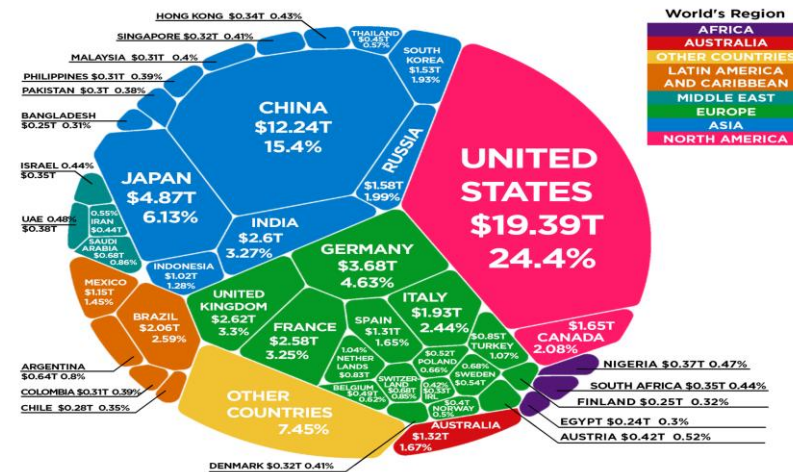


Figure 2: Country-wise contribution to world's GDP

The above figure 2 represents Country-wise contribution to world's GDP. The above provides a list of countries which percent wise contributes towards the global GDP. The higher the figure stronger the country. United States stands at level one with highest contribution i.e. approximately one-fourth (25%); followed by China 15.4% and Japan 6.13%. India does not fall out of the list of top 10. It stands at position with 3.27% contribution. It means that if globally Rs 100 is the production then in India its Rs 3.27 only. If we compare United States and India it would enroll that U.S. is 8 times

stronger as an economy than India. Due to India's young population, labour intensive techniques and savings culture, India is growing at good pace in comparison to other countries. Today, India has been ranked third in terms of it, who knows India can gradually climb to the first position in the years to come.

Current GDP rate 2019-2020 June quarter: 4.5%

Current GDP 2019-2020 (expected): 6.6%

### **3. Few Drawbacks:**

Of course, there are few major and minor drawbacks as well here in India which tries to raise this question over and over again about India's economic health no matter we can see and are very well aware of the current situation that India has crowd of young healthy working people with good savings and investment habits with great minds and low dependency ratio. Over a number of years, we have seen India growing so good. But certainly, few drawbacks which are a matter of concern which needs to be taken care of timely otherwise it might prove fatal anytime and may bring down the whole system within a flash of time and might make India stand in a situation from which it might become impossible to take it out for many years to come. No matter India today is world's third largest economy in terms of Purchasing Power Parity (PPP) and fifth largest economy in the world in terms of nominal Gross Domestic Product (NGDP). But we must not forget the example of United states (USA) which is still today the world's most powerful country in all terms; USA also went into a heavy recession in 2009 which took a toll on its entire economy and flushed out billions from it like a tsunami in seconds. According to a report by PWC (price water house copper) India can take over US by 2050 or so in terms of purchasing power where India is currently standing at 3rd position.

The factors which are affecting adversely the economic health are as below such as:

- Low tax collection despite huge income pouring in due to vast informal economy in India (India is behind Nepal in terms of tax to GDP ratio)
- Human Development Index (HDI) is low to medium.
- Ease of doing business ranking in world is 63<sup>rd</sup> position (which is a bad sign that people find it difficult to start business which in turn hampers employment generation and income participation.)
- Low investment habits (people hoard money)
- Very few are taking advantage of exporting so that more foreign revenue comes in( in India our Imports > Exports which is an unhealthy sign towards foreign revenue generation ) India is 10<sup>th</sup> largest Importer worldwide and 19<sup>th</sup> largest exporter.
- Weak education and low literacy level
- Millions are unemployed and their potential stands wasted in India
- Millions don't have food to satisfy their two-meal hunger
- Public debt figures are always in red (which means high loan raising by India.)
- International Credit rating agencies have rated India as BBB category lately.
- Low credit growth in India
- Liquidity crisis and high national debt

- Income inequality Is high in India

Despite all of the above strong points still currently India is healthy economically but if not taken care it can move to recession soon as we can see that India is standing at border figures which might make economic situation unstable any moment. Currently so many factors are in support of India which shall help India grow. India stands on a global ranking at many places such as India today is world's third largest economy in terms of Purchasing Power Parity and fifth largest economy in the world in terms of nominal Gross Domestic Product. Also India is 10th largest producer of oil and 3rd largest oil consumer globally. India is 10th largest Importer worldwide and 19th largest exporter. India is world's 6th largest manufacturer which contributes to 3 % of global manufacturing. But my ideology is India has the desired potential of which it's not making use of.

#### **4. Conclusion**

The long-term perspective is very positive about Indian economy on the whole making it a strong and developing country which is indeed economically healthy no matter in short term perspective the challenges and turbulences keep on hindering its pace of growth. Yes, currently India has healthy economically but if not taken care it can move to recession soon as we can see that India is standing at border figures which might make economic situation unstable at any moment. The GDP figures stand at an average level but not satisfactory, hence we cannot say that India is economically unhealthy but we cannot deny the fact at the same time that India is experiencing good health economically because we are well aware of the alarming figures YOY basis drop-in growth rates as we saw in figure1 above. But one satisfactory point comes into play when see figure 2; India making its position no matter with little contribution but still India struggled to make its place. Economically healthy has many perspectives which includes financial health of a country, the monetary system, the fiscal policies, the banking structure functioning, the taxation system, the new roll-outs such as GST, the stock market functioning, the interest rates, inflation rates, forex, GDP figures etc. India is a developing country and among the plethora of examples, this paper shall be highlighting few topics such as GDP (Gross Domestic Product) which is the main indicator of a country's health along with its partnering factors. No matter India today is world's third largest economy in terms of Purchasing Power Parity and fifth largest economy in the world in terms of nominal Gross Domestic Product. But we must not forget the example of United states (USA) which is still today the world's most powerful country in all terms; USA also went into a heavy recession in 2009 which took a toll on its entire economy and flushed out billions from it like a tsunami in seconds.

Though the rates stand at an average of 6% which is not good but not that poor that it may be considered as unacceptable. India is at its developing stage with heavy population, unemployment and poverty. With these issues if still India strangles itself to stand at 6% average, I don't think it proves India as unhealthy. It just means India is growing and a growing child needs more intake to grow and build itself for a bright and healthy future. Due to India's young population, labor intensive techniques and savings culture, India is growing at good pace in comparison to other countries. Today, India has been ranked third in terms of it, who knows India can gradually climb to the first position in the years to come.

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