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# AN ECONOMIC STUDY ON CHALLENGES AND OPPORTUNITIES IN IMPROVING THE INDIAN ECONOMY

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*Abstract:This paper reveals an economic study on challenges and opportunities in improving the Indian economy. India is the second country with largest population after China. India is a stable democracy. Its people are 80 percent Hindu, but it is also home to one of the world's largest Muslim populations and other religions too. This is why, India is also called a secular country. India's economic freedom score is 56.5, making its economy the 120th freest in the 2020 Index. Its overall score has increased by 1.3 points, led by an increase in the business freedom score. India is ranked 28th among 42 countries in the Asia–Pacific region, and its overall score is well below the regional and world averages. India's diverse economy encompasses traditional village farming, modern agriculture, handicrafts, and a wide range of modern industries. Capitalizing on its large educated, English-speaking population, India has become a major exporter of information technology services, business outsourcing services, and software workers. The Indian economy has languished in the mid-range of the mostly unfree category for nearly two decades. GDP growth over the past five years, however, has been robust. As the country continues to benefit from the effects of economic liberalization, economic growth has been driven by higher private domestic consumption. This paper is alsoanalysing and discusses about the growth in the value of GDP which helps the raise of Indian economy and also considering the policies by the Indian government which made an impact on Indian economy. Also discusses about the effects of Indian economy by the financial wireless transfers from our country to the other countries.*

*Keywords: Indian economy, stable Democracy, Secular, Capitalizing, GDP growth, policies, Indian government, financial wireless transfers.*

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## 1. Introduction:

Reserve Bank of India (RBI) is the monetary system of India, (RBI) the country's central bank. It is established and nationalised in 1 April 1935 and 1949, it serves as the nation's monetary regulator, authority and supervisor of the monetary system, banker to the government, custodian of foreign exchange reserves, and as an issuer of currency. It is governed by a central board of directors, headed by a governor who is appointed by the Government of India. The benchmark interest rates are set by the Monetary Policy Committee. The Indian rupee (₹) is the only legal tender in India, and is also accepted in neighbouring Nepal and Bhutan, both of which peg their currency to that of the Indian rupee. The rupee is divided into 100 paisas. The highest-denomination banknote is the Rs 2,000 note; the lowest-denomination coin in circulation is the 50 paise coin. Since 30 June 2011, all denominations below 50 paise have ceased to be legal currency.

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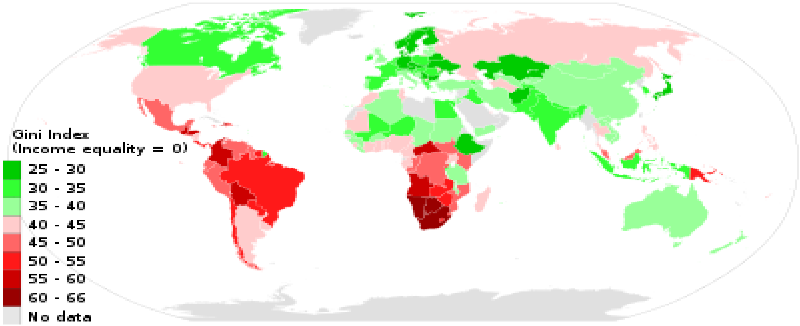
| Year | INR₹ per US$(average annual) |
|---|---|
| 1975 | 9.4058 |
| 1980 | 7.8800 |
| 1985 | 12.3640 |
| 1990 | 17.4992 |
| 1995 | 32.4198 |
| 2000 | 44.9401 |
| 2005 | 44.1000 |
| 2010 | 45.7393 |
| 2015 | 64.05 |
| 2016 | 67.09 |
| 2017 | 64.14 |
| 2018 | 69.71 |

The rupee was connected to the British pound from 1927 to 1946. Later, to the United States dollar until 1975 through a set exchange rate. It was devalued in September 1975 and the device of constant per rate turned into replaced with a basket of four major international currencies: the British pound, the USA dollar, the Japanese yen and the Deutsche Mark. In 1991, after the collapse of its biggest buying and selling partner, the Soviet Union, India faced the primary forex crisis and the rupee became devalued through round 19% in levels on July. In 1992, a Liberalized Exchange Rate Mechanism (LERMS) turned into introduced. Under LERMS, exporters had to give up 40 percent of their foreign exchange profits to the RBI on the RBI-decided exchange price; the last 60% could be transformed at the marketplace-determined exchange rate. After the pointy devaluation in 1991 and transition to current account convertibility in 1994, the cost of the rupee has been largely decided by market forces. In 1994, the rupee become convertible on the modern account, with a few capital controls. The rupee has been fairly stable during the decade 2000–2010. In October 2018, rupee touched a bottom to 74.90 to the US dollar.

**Income status:**

In India, city regions have seen a far higher growth rate relatively comparing to rural regions. Despite up to 3/4th of the population living in rural regions, rural region makes an offering to best 1/3rd of the national earnings. The main reason for rural India's poor performance in phrases of earnings is the truth that rural India generally depends on agriculture. The agriculture region in India grew at a rate of best 1.6% in 2008-09, even as the Indian Economy grew at a price of 6.7%, in spite of the monetary disaster of 2007-2008. This drastic within the agriculture region of the Indian economic system has serious implications for the division of rural and city, each in terms of profits and GDP. Some estimates say that the average earnings of someone dwelling in a city area may be up to four times higher than that of someone dwelling in a rural area. The growing tiers of urbanisation in India is a major motive for the rising levels of earnings disparity in the country.

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India has a top rate of migration from rural to urban. A supreme reason for the massive migration to cities was the Partition of India. India's total wealth increased from $3,165 billion in 2007 to $8,230 billion in 2017, a growth rate of 160%. India's total wealth decreased by 1% from $8.23 trillion in 2017 to $8.148 trillion in 2018, making it the sixth wealthiest nation in the world. There are 20,730 multimillionaires (7th largest in the world) and 118 billionaires in India (3rd largest in the world). With 327,100 high net-worth individuals (HNWI), India is home to the 9th highest number of HNWIs in the world. Mumbai is the wealthiest Indian city and the 12th wealthiest in the world, with a total net worth of $941 billion in 2018. Twenty-eight billionaires reside in the city, ranked ninth worldwide. As of December 2016, the next wealthiest cities in India were Delhi ($450 billion), Bangalore ($320 billion), Hyderabad ($310 billion), Kolkata ($290 billion), Chennai ($150 billion) and Gurgaon ($110 billion).

India has a blended economy. Half of India's employees depend upon agriculture, the signature of a conventional economy. 1/3rd of its employees is employed by way of the services industry, which contributes two-thirds of India's output. Since the 1990s, India has deregulated numerous industries. It's privatized many state-owned enterprises, and opened doors to foreign direct investment. 1/3rd of its employees is employed through the services industry, which contributes two-thirds of India's output. The productiveness of this phase is made viable via India's shift towards a market economy.

1. India is the world's fourth-largest economy. It produced $9.4 trillion in goods and offerings in 2017.
2. But it has a long way to visit beat the pinnacle three: China, with a manufacturing worth $23.2 trillion, the European Union with $20.9 trillion, and the United States with $19.4 trillion. India had rapid increase despite the Great Recession. It grew 6.8% in 2018, 7.2% in 2017, and 8.2% in 2016.
3. From 2008 thru 2014, it grew among 3% and 8.5%.
4. This phenomenal boom charge reduced poverty via nearly 10% in the 2010s.

Although growth charges were extra than 6 between 2014 and 2017, unemployment is over 7%. The government-owned banks had horrific debt that decreased their capability to lend. The rupee declined via 2016, permitting 3.6% inflation. A goods and offerings tax were unpopular.

**Strengths:**

1. India is an attractive country for outsourcing and a cheap supply of imports.
2. The capacity of youngest ones is more and this implies the scope of skilful and nicely educated people.
3. Least cost of living. This is a bonus due to the fact Indian workers don't need as much income in view that everything prices less.
4. India's 1.3 billion humans come from a wide variety of monetary and cultural backgrounds. This diversity may be a strength or a challenge.

**Challenges and opportunities:**

Since 1991, the economy of India has pursued free market liberalisation, greater wide in trade and increase investment in infrastructure. This helped the Indian economy to achieve a rapid rate of economic growth and economic development. However, the economy still faces various problems and challenges, such as corruption, lack of infrastructure, poverty in rural areas and poor tax collection rates.

**Corruption:**

Corruption in India is an issue which influences the economy of central, kingdom and local authorities' groups in many ways. Not simplest has it held the economy returned from attaining new heights, however rampant corruption has stunted the country's development. There are vast variations in the degree of corruption and inside the government's efforts to reduce corruption across different regions of India. The reasons of corruption in India include immoderate regulations, complex tax and licensing systems, several government departments with opaque paperwork and discretionary powers, monopoly of presidency-controlled establishments on certain items and services delivery, and the lack of transparent laws and processes.

### Impacts:

1. Loss of credibility
2. Economic loss
3. Lower growth rates

**2. Lack of infrastructure:**

A proper infrastructure is an important point for economic boom of a country. The ok infrastructure in the form of street and railway delivery system, ports, power, airports and their efficient working is likewise wanted for integration of the Indian economic system with other economies of the world.

### Important Features of Infrastructure:

First, the constructing of infrastructure requires huge and lumpy investment and that they contribute to output, after a long term this is their gestation duration is quite long. Second, due to huge overhead capital and lumpy investment, the great economies of scale are observed in most of them. Due to the sizable economies of scale determined in lots of infrastructure services, they have the characteristics of natural money. The third crucial characteristic of infrastructure facilities is they invent externalities.

The inclusive increase will result in the relief of poverty and discount in profits inequality in the country. A good best infrastructure is critical not most effective for faster economic boom but also to make sure inclusive increase. By inclusive boom way that blessings of boom are shared by means of the majority of the human beings of a country.

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The inclusive growth will lead to the alleviation of poverty and reduction in income inequality in the country. A good quality infrastructure is important not only for faster economic growth but also to ensure inclusive growth. By inclusive growth means that benefits of growth are shared by the majority of the people of a country.

### Poor tax collection rates:

Apart from raising revenue, taxes are considered as instruments of control and regulation with the aim of influencing the pattern of consumption, production and distribution. Taxes thus affect an economy in various ways. Taxes produce favourable effects on the ability and the desire to work, save and invest, there will be a favourable effect on the employment situation of a country. Further, if resources collected via taxes are utilized for development projects, it will increase employment in the economy. If taxes affect the volume of savings and investment badly then recession and unemployment problem will be aggravated. Again, effect of taxes on the price level may be favourable and unfavourable. Sometimes, taxes are imposed to curb inflation. Again, as an imposition of commodity taxes lead to rising costs of production, taxes aggravate the problem of inflation.

## Research methodologies:

The methodologies refer to the impact on Indian economy with policies recommended by the Indian government and also discusses the flaws happening due to wireless transfers with foreign countries through the nationalised banks in India.

1. Analysis of the policies which are designed by the Indian government and the impacts on the Indian economy:
    a) GST (Goods and Services Tax)
    b) Demonetisation
    c) Bank recapitalisation
2. The financial exchanges (i.e. corrupted money, unpaid tax etc.) through the wireless transfers with foreign countries.

### 3. GST (Goods and Services Tax):

The Goods and Services Tax (GST) is any other such project that is expected to offer the tons needed stimulant for financial boom in India by transforming the present base of oblique taxation towards the unfastened glide of goods and services. Amidst economic crisis across the globe, India has posed a beacon of wish with ambitious boom targets, supported by way of a group of strategic undertakings such as the Make in India and Digital India campaigns. GST is additionally predicted to eliminate the cascading effect of taxes. India is projected to play an crucial role within the world economy within the years to return. The expectation of GST being introduced is high not simplest inside the country, however additionally within neighbouring countries and evolved economies of the international. The second that the Indian government was waiting for a decade has finally arrived. The single biggest oblique tax regime has kicked into force, dismantling all of the inter-state barriers with admire to trade. The GST rollout, with a single stroke, has converted India right into a unified marketplace of 1. three billion citizens. The rollout has renewed the desire of India’s fiscal reform software regaining momentum and widening the economy. Then again, there are fears of disruption, embedded in what’s perceived as a rushed transition which might not assist the pastimes of the country. There are different factors, such as the seller’s income margin, that determines the final fee of products. GST alone does not decide the final fee of goods. Fundamentally, the $2.4-trillion economy is trying to transform itself with the aid of eliminating the inner tariff obstacles and subsuming central, nation and neighbourhood taxes right into a unified GST.

Some of the benefits are mentioned below:

- Removal of bundled oblique taxes including VAT, CST, Service tax, CAD, SAD, and Excise.
- Less tax compliance and a simplified tax policy as compared to current tax structure.
- Removal of cascading impact of taxes i.e. eliminates tax on tax.
- Increased call for will lead to boom supply. Hence, this could in the long run result in upward push in the production of goods.

- Control of black cash circulate as the system usually followed by means of investors and shopkeepers could be placed to a mandatory test.
- Boost to the Indian economy inside the long run.
- Increased demand and intake of goods.
- Lower the weight on the commonplace man i.e. Public will need to shed less cash to buy the identical merchandise that were pricey earlier.
- Reduction of manufacturing charges due to decrease burden of taxes on the producing sector. Hence prices of client goods will be in all likelihood to return down.

### Impacts:

It seems that this value of compliance could be prohibitive and excessive for the small-scale producers and buyers, who have additionally protested against the equal. They may end up pricing their items at better rates. From the point of view of the customer, they would now have paid more tax for maximum of the products and offerings they consume. The majority of regular consumables now draw the equal or a slightly better price of tax. Furthermore, the GST implementation has a value of compliance attached to it.

GST will dispose of the custom duties applicable on exports. The nation's competitiveness in foreign markets will growth due to decrease prices of transaction. GST will provide credit score for the taxes paid by way of producers in the goods or services chain. This is anticipated to encourage producers to shop for raw fabric from extraordinary registered dealers and is hoped to convey in greater carriers and suppliers beneath the purview of taxation. There can be greater transparency in the gadget as the customers will know precisely how a good deal taxes they're being charged and on what base. GST will upload to the government revenues via extending the tax base.

Reduces tax burden on manufacturers and fosters boom through greater manufacturing. The contemporary taxation structure, pumped with myriad tax clauses, prevents producers from producing to their optimum capability and retards increase. GST will contend with this problem by means of imparting tax credit to the producers.

Different tax limitations, along with take a look at posts and toll plazas, cause wastage of unpreserved objects being transported. This penalty transforms into major prices because of better wishes of buffer stock and warehousing costs. An unmarried taxation system will cast off this roadblock.

### Demonetisation:

Demonetisation had a wide effect because it has affected the withdrawal of nearly 86% of the forex in move in India's high currency the usage of economy. The economic movement of banning, Rs a thousand and Rs 500 notes produced numerous direct and indirect results on transaction behaviour in addition to on illegal money. Demonetisation has supplied the invaluable provider of giving mass awareness marketing campaign against black money. As consistent with the CBDTs preliminary reports, it has been given a excellent statistics base about people who have massive wealth however aren't paying tax. It has promoted the digitalization of transactions and digital payments.

Demonetization as a cleaning exercising can also produce numerous desirable things inside the financial system. At the same time, it creates unavoidable income and welfare losses to the negative sections of the society who gets profits primarily based on their daily work and those who doesn't have the digital transaction culture. Overall monetary activities can be dampened within the brief term. But the unmeasurable advantages of having greater transparency and reduced quantity of black cash sports can be pointed as long time period blessings.

To support the combat in opposition to black money it initiated a bit. Though a touch bit of growth become sacrificed and a brief-time period welfare lack of the unorganized zone become occurred due to the demonetisation drive; the initiative has helped to smooth up the system.

**Impacts:**

Demonetization isn't a big disaster like global banking area disaster of 2007; but at the equal time, it will act as a liquidity shock that disturbs financial sports. On the demerit side, demonetisation has produced a few unavoidable negative outcomes inside the short/medium time period. It has led to a decline in financial sports and thus contributed to low GDP growth for at least couple of quarters. Similarly, the unorganized zone day by day wage earners and other low-income companies have suffered from earnings fall for the duration of the demonetisation period.

Liquidity shock: liquidity surprise means human beings are not able to get enough quantity of famous denomination especially Rs 500. This foreign money unit is the favourable denomination in each day life. It constituted to almost 49% of the previous currency deliver in phrases of value. Higher the time required to resupply Rs 500 notes, higher might be the period of the liquidity crunch. Reports indicate that all security printing press can print best 2000 million devices of RS 500 notes by using the end of this year. Nearly 16000 mn Rs 500 notes were in move as on cease March 2016. Some part of this were filled by means of the new Rs 2000 notes. Towards end of March approximately 10000 mn devices may be revealed and replaced. All these suggest that foreign money crunch could be in our economic system for the next 4 months.

Boosted virtual payments: One of the welcome turnarounds within the demonetisation program changed into the inseparable link among demonetisation and digitalization of transactions. Inarguably, demonetization advocated humans to embrace virtual methods. Though its pace is gradual as there are numerous hindrances which without a doubt are getting reduced, demonetisation has inaugurated the march toward cashless society with a bang. Popularization of virtual payment methods, devices and institutions show that demonetisation has facilitated digital transactions. PoS machines, and use of card based totally bills are very popular now as compared to the pre-demonetisation period. Reduced the casual financial system with the elevated use of virtual payments, economic transactions become recorded. Along with the highly digital documented GST, India’s informal sector is getting absorbed into the formal financial system.

Demonetisation has addressed one of the leader demerit of India’s direct tax system – poor compliance. Once savings, payments, profits flows and different transactions are digitalized and recorded, it will give way to a higher compliant society. Cashless and virtual transaction society is the infrastructural foundation of a compliant society.

**Bank recapitalisation:**

The term ‘recapitalisation’ for banks is recapitalising or putting new capital to improve the stability sheet of the bank. The authorities invest money to decrease the space between money lent and capital of the bank. This leads to better capital credit ratios for which banks can now raise greater capital. Credit will increase. Some extra scope for losses also exists. Effectively, what the authorities wants to do is force banks to take losses via pushing NPAs to actual losses, as the government replenishes the capital this is lost. Those banks that are undergoing the problem of awful loans / credit score crunch are helped by using the authorities (being the stakeholder within the financial institution) with the aid of infusion of capital via distinct instruments. When the liabilities of the banks exceed their belongings, the credit ratio will increase which leaves the banks with much less capital and greater loans.

The recapitalisation has a negative side to it as well. First of all, it is able to set a horrific precedent as it ship out a wrong message to both the lenders and the borrowers that the authorities will come to the rescue of the PSBs although they lend indiscriminately without exercising due diligence and PSBs aren't in all likelihood to mend their errant ways.

Secondly, recapitalisation is a temporary and now not a everlasting solution. The difficulty of Non-Performing belongings shall persist in spite of the recap. The way to the NPA difficulty is to ensure that the PSB boards keep highest standards of corporate governance and financial accountability. The government desires to implement such discipline by means of making the boards fully accountable for their actions and chargeable for their errors, omissions and commissions. Only then will PSBs come to be strong sufficient to compete with personal quarter banks.

The Government is focussing to maintain its economic deficit to 3.2% and hence can't give cash to the banks for the treasury. Therefore, the authorities introduced recapitalisation via two exceptional methods. The infusion of Rupees 2.11 lakh crores or 32 billion dollars will be accomplished by means of:

1. 1.35 trillion will be paid out through recapitalisation bonds; and
2. 76,000 Crores shall be paid out thru budgetary assist from the markets.

Recap bonds and their works:

A bond issued for the purpose of recapitalisation is referred to as recapitalisation bonds. It is a government bond to raise cash from the marketplace with a promise to pay to repay the face value of the adulthood date and a periodic hobby. Recap bonds will be issued by way of the government which the banks will be enrolled in and it'll be entered as a funding in their stability sheet. The banks will then lend cash to the government for subscription of the bonds so one can go returned to banks as capital. This will at once toughen the balance-sheet of the banks and display capital-adequacy. The cash lent to the government for subscribing recap bonds is loose from turning into a horrific loan as the authorities is always solvent.

**Impacts:**

The fiscal deficit will no longer be without delay affected as the authorities isn't always infusing money from the state coffers, however it additionally depends on how its miles being accounted inside the books of the authorities. Since, miles a long-term debt, it affords time to banks to enhance their stability-sheets via increasing their credit score and personal investment. The authorities, then, can retire the debt from the proceeds through promoting the bank equities purchased earlier, once banks' situation gets better. The authorities plan could have little effect on its goal to reduce the shortfall to 3.2% of GDP in the year via March 2018 because the IMF's rules classify such debt as "below-the-line" financing. Only hobby expense could be brought to the economic deficit, and this is predicted at about Rs90 billion every year or 0.4% of general budgeted spending. Technically, however, India's accounting regulations require the bonds to be included in the price range deficit, so the authorities will probable reclassify them later as off-stability sheet items—just as it did whilst comparable notes were issued within the 1990s.

Credit score up gradation: Capital infusion to PSBs underneath PCA framework will ensure the banks to satisfy Basel-III norms of Tier-I Capital Requirement. Also, the reforms which include of monetizing non-core belongings of Banks and further lending ability will boost profits of those banks. Thus, assembly Basel-III norms, extra Income generation with the aid of lending and monetizing of belongings will affect definitely at the Credit ratings of the Banks.

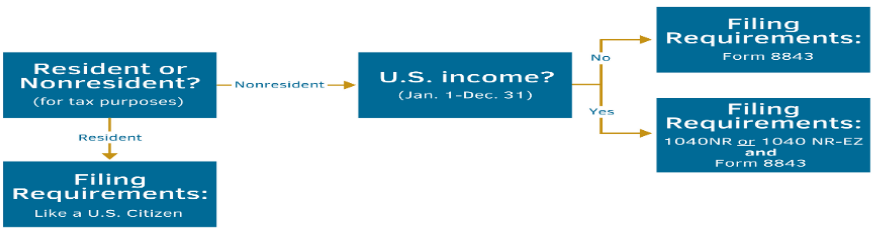
Government Support: To quote a central authority official in the course of the announcement "The regulatory capital of all nation-run banks can be maintained and no kingdom-run financial institution will be allowed to fail". The statement indicates government's unqualified assist to PSBs. Historically as well, the authorities have continuously infused capital as and when required to preserve public self-assurance intact in PSBs.

GDP growth: Empirical look at has shown credit score boom or additional credit capacity has a multiplier effect at the GDP boom. Assuming 1 lakh crores of capital out of Rs 2.11 lakh crores (rest will go closer to preserving adequacy ratios) going in the direction of credit score advent and thinking about the historical cash multiplier of five, we are able to see extra credit score capability of Rs. five lakh crores in economy. It is believed that the recapitalization plan will impact positively on economic activities inside the country and could spur GDP increase fee significantly.

Productive utilization of Capital: Large default instances from non-viable agencies were often restructured as opposed to reporting to NCLT for loss of Capital adequacy and huge provisioning required. After capital inflows and government nudge to refer such cases to NCLT for the healing process, massive quantity of capital would flip productive main to optimum usage of capital.

The financial exchanges (i.e. corrupted money, unpaid tax etc.) through the wireless transfers with foreign countries:

Foreign wire transfers are a way to electronically send money abroad. Consumers often use wire transfers for large payments when foreign exchange rates are favourable and the sender knows the foreign exchange rate equivalent before he makes the transfer. Wire transfers are faster and more secure compared to other methods such as bank drafts or sending a physical check. The sender can also avoid foreign transaction fees if he wires the cash in the recipient's currency.




The major drawback of wireless transfers which leads to a flaw is foreign wire transfers are a fast and secure way to send or receive money from another country. If you receive a foreign wire transfer as a form of income, you must report the income on your taxes. If you receive a foreign wire transfer as a gift, you won't have to pay tax on it but you may need to report it to the IRS. This leads to escape of a lot of black money. This black money is intended with such aspects like corruption and unpaid taxes. This leads to crash of Indian economy. This is happening because of the improper monitoring by higher authorities. This leads to the hike in foreign economy and damages Indian economy.

U.S. citizens and residents are taxed on income from all sources, not just income earned domestically. That means if someone wires you money from a foreign country as a form of income, you must report it on your tax return. Foreign wages, nonemployee compensation, interest and dividends are taxed at the same tax rate as their domestic counterparts. However, the country in which you earned the money may also tax the earnings. To compensate for this, the IRS does allow U.S. citizens to claim a foreign tax credit for any taxes paid on earnings to other foreign taxing authorities.

Foreign Bank Accounts:

In an effort to deter citizens from hiding income abroad, the IRS imposes certain reporting regulations for foreign financial accounts. The Bank Secrecy Act requires citizens to report foreign financial accounts if the aggregate value of the accounts ever exceeds $10,000 during the year. You're not necessarily taxed on the financial account balances; the IRS just wants a record of which citizens are holding large amounts of assets abroad. Financial accounts you must report include brokerage accounts, bank accounts, unit trusts and mutual funds. If you meet the criteria, you should complete a Report of Foreign Bank and Financial Accounts (FBAR) and file it through the IRS's electronic filing system.

In the case, the eyes of the IRS, gifts are not income and are not taxable to the recipient. However, the IRS does require taxpayers to report especially large gifts that they've received from abroad. A taxpayer must file Form 3520 if she receives more than $100,000 in gifts from non-resident aliens, foreign persons and foreign estates, or if she receives more than $13,258 in gifts from foreign corporations or foreign partnerships. This means if you receive $20,000 from each of your six uncles in France, you must file Form 3520. For the purposes of filing this form, cash is valued at the rate received and assets are valued at their fair market value on the date they're received.

## 4. Results:

The impact of GST on macroeconomic indicators is likely to be very positive in the medium-term. Inflation would be reduced as the cascading (tax on tax) effect of taxes would be eliminated. The revenue from the taxes for the government is very likely to increase with an extended tax net, and the fiscal deficit is expected to remain under the checks. Moreover, exports would grow, while FDI (Foreign Direct Investment) would also increase.

The industry leaders believe that the country would climb several ladders in the ease of doing business with the implementation of the most important tax reform ever in the history of the country. The study explores the impact of GST on growth through direct cost reduction as well as cost reduction of capital inputs. Preliminary results indicate that the growth in GDP can be between 2-2.5% with the implementation of a well-designed GST. The increase in exports can be between 10-14%.

The wealth effect is another channel through which demonetisation could have impacted economic activity. However, the precise estimate of currency that returned to the banking system is not yet available as the reconciliation process is still on. Hence, the adverse wealth effect on account of SBNs not returning to the banking system could be assessed only after the reconciliation exercise is complete. A measly Rs. 16,000 crore has not been returned to the RBI which is about 1% of the total cash out there before demonetization (15.42 Lakh Crore). With certainty we can say that there is definitely more than 1% black money in cash form out there. This benefit has definitely failed to materialize.

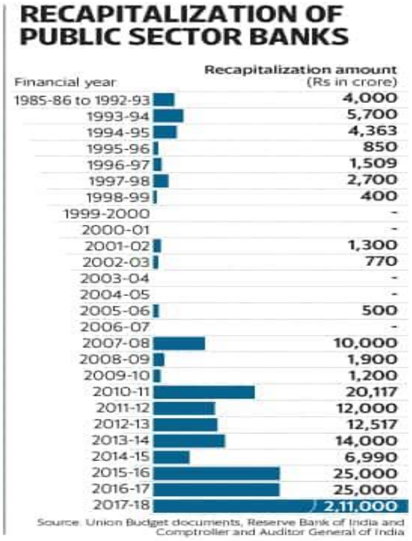
The Indian government and the country's central bank are at the final stage of drawing up a plan to infuse Rs2.11 trillion capital into public sector banks (PSBs) which roughly have a 70% share of the assets of Indian banking industry, consisting of 21 public sector banks, 26 private sector banks, 43 foreign banks and 56 regional rural banks. Of this, Rs1.35 trillion will come from the sale of so-called recapitalisation bonds and the remaining Rs76000 crore will be through budgetary allocation and fund-raising from the markets.

**GOVERNMENT OF INDIA AND LIC'S SHAREHOLDING IN PUBLIC SECTOR BANKS AS ON 31 MARCH**

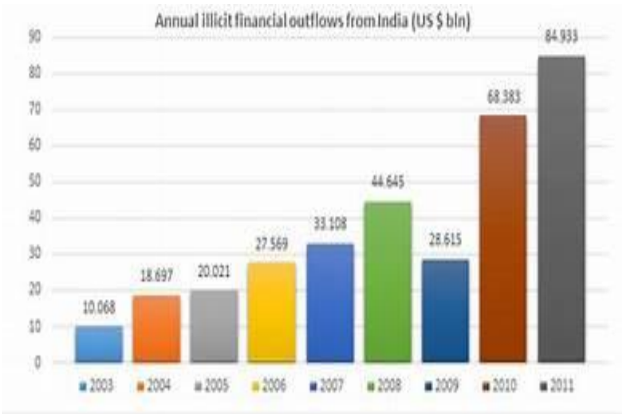
Figures in %

| Name of PSBs | 2010-11 Govt | 2010-11 LIC | 2016-17 Govt | 2016-17 LIC |
|---|---|---|---|---|
| Allahabad Bank | 58 | 7.61 | 65.92 | 14.17 |
| Andhra Bank | 58 | 8.47 | 61.26 | 11.58 |
| Bank of Baroda | 57.03 | 6.44 | 59.24 | 10.03 |
| Bank of India | 65.86 | 8.31 | 73.72 | 12.83 |
| Bank of Maharashtra | 79.24 | 6.57 | 81.61 | 12.72 |
| Canara Bank | 67.72 | 4.71 | 66.3 | 13.62 |
| Central Bank of India | 80.2 | 6.55 | 81.28 | 13.83 |
| Corporation Bank | 58.52 | 24.81 | 70.76 | 18.91 |
| Dena Bank | 58.01 | 6.34 | 68.55 | 12.23 |
| Indian Overseas Bank | 65.87 | 9.78 | 79.56 | 10.68 |
| Indian Bank | 80 | 1.87 | 82.1 | 3.14 |
| Oriental Bank of Commerce | 58 | 10.49 | 58.38 | 13.05 |
| Punjab National Bank | 58 | 6.37 | 65.01 | 12.52 |
| Punjab and Sind Bank | 82.07 | - | 79.62 | 0 |
| Syndicate Bank | 69.47 | 10.42 | 72.92 | 11.28 |
| UCO Bank | 68.13 | 7.33 | 76.67 | 14.5 |
| Union Bank of India | 57.07 | 4.14 | 63.44 | 10.24 |
| United Bank of India | 85.48 | - | 85.23 | 7.3 |
| Vijaya Bank | 57.69 | 6.35 | 70.33 | 12.93 |
| State Bank of India | 59.4 | 11.26 | 62.22 | 8.96 |
| IDBI Bank | 65.13 | 10.18 | 73.98 | 13.87 |

Source: BSE and NSE websites




Wire transfers aren't necessarily taxable events. You'll have to pay any bank fees related to the wire transfer, but the money may or may not create a tax liability. If you are receiving money as a gift, you won't have to pay any taxes, but you may have to report the gift to the IRS. When sending a gift, you may have to file a gift return and pay gift taxes on the money. You will also have to pay tax on money you receive as income or capital gains.




## 5. Conclusions:

This paper has discussed about the economic study on challenges and opportunities in improving the Indian economy. The Indian economy has languished in the mid-range of the mostly unfree category for nearly two decades. GDP growth over the past five years, however, has been robust. As the country continues to benefit from the effects of economic liberalization, economic growth has been driven by higher private domestic consumption. India's current growth rates of about 8% have been achieved without much increase in domestic capital accumulation or FDI, raising the prospects that further increase in FDI could result in boosting further growth.

India is well below its efficiency in the productivity frontier, due to inefficiencies in the production sector. However, services productivity has remained strong over the past decades. Labour has moved into industry from agriculture, at the same time capital has moved to services since 2002. Also analysed about certain government policies like GST, demonetization, Bank capitalization and the effects in the aspects of financial wireless transfers with foreign countries and submitted the results upon it.

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