

Indian Economy Developments (Special emphasis on Mr. Narendra Modi Era Developments)

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Abstract

“Sorry Economic Performer”, was a term used for India before two decades. In last two decades, India has almost become a “Star Performer” in terms of economic development. Ample number of Innovations and schemes are launched for development of economy and society as well. Specially during Modi Government Era in last four years, innovative schemes has been launched for betterment and upliftment of society. Some strong and controversial steps like Demonetization and GST were also imposed on the society. This paper reviews and throws light on major development in Indian economy giving special attention to initiatives of Mr. Narendra Modi Era economy.

Keywords: Indian Economy, Development, Demonetization, GST

1. Introduction to Indian economy

With Purchasing Power Parity of US\$9.489 trillion (till September 2017) India ranks third in the world and seventh by nominal GDP of US\$ 2.454 trillion (Till September 2017). In FY 2016 and 2017 India became the world's major fastest growing economy leaving China behind. Central Statistics Organization (CSO) and International Monetary Fund (IMF) has also supported that India has emerged as a fastest growing economy in the world. As per Boston Consulting Group report, consumption will triple to US\$ 4 trillion by 2025, to become the third largest in the world.

As per PricewaterhouseCoopers' report, India will leave behind USA to become second largest by 2040 in world in terms of Purchasing Power Parity.

India topped the World Bank's growth outlook for the first time in fiscal year 2015-16, with the growth of 7.6% at that time. According to IMF India's growth is expected to become 7.2% in 2017-2018 and 7.7% in fiscal 2018-2019. Increasing integration in the global economy is one of the major reasons behind this pacing growth. India is the major exporter of IT services and software services to the world with US\$ 154 billion revenue in FY2017. IT industry is the largest private sector employer of the nation with the fastest growing pace. India has emerged as third largest start-up base and is expected to grow 2.2 times every year to reach 10500 by 2020. As per the report of Nasscom- India is only behind US and UK with tech start ups grow at a expected pace of 10-12%. Indian automobile sector is one of the largest in the world which accounts for 7.1% GDP of the country. This sector is expected to grow at around 10-15% to reach US\$16.5 billion in 2021 from around US\$ 7 billion in 2016. India a also a prominent auto exporter and has strong expectation in near future also. India's e-commerce industry is expected to grow at a Compound Annual Growth Rate (CAGR) of 28% in 2016 to US\$63.7 billion by 2020. India's e-retail growth is expected to increase almost double from US\$125 billion in April 2017 to US\$ 250 billion by 2020, mainly due to e-commerce growth. Changes in Government policies like 100% Foreign Direct Investment in Business to

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Business e-commerce and B2C ecommerce expected to further drive the industry growth in many sectors. India stood at NO.2 position spot globally in Consumer Confidence Index to show high confidence to show optimism on job prospects and belief in economy, according to research agency Nielsen. Economy growth of almost 7.5% makes Indian Economy as fastest growing G-20 economy, as per Organization of Co-operation and Development (OECD), which is also supported by Baa3 rating of Moody. Also recent deregulation measures and promotion of business reforms have boosted strong growth momentum. Net tax collections grew by 14.2% in 2016-17, bringing in Rs. 8.47 lakh crore for the exchequer, while indirect tax collections grew at 22%. The tax collection approximation has surpassed Rs 17.10 lakh crore value for 2016-17 fiscal. According to ASSOCHAM survey India's labour force is expected to 160-170 million by 2020 due to population growth with other factors. According to RBI, India's Foreign Exchange reserves have also increased from March 2016 at US\$ 360 billion to US\$ 366.781 billion in March 2017. According to Survey conducted by Bloomberg news, Indian Economy will expand 7.3% in 2018 fiscal, 7.7% in 2019 fiscal and 7.7% in 2020. Structural reforms are pushing up potential growth and inflation continues to surprise on the downside.

2. Recent Developments

2.1 NITI Aayog

According to World Bank's latest India Development Update report Indian economy expanded at a faster pace in 2016. The update finds that the financial sector is performing well especially considering the evolution from essential state controlled system in past.

From overall state of art development point of view, Union Cabinet passed a resolution in 2015, to form NITI Aayog (National Institute for Transforming India). There are two hubs in the NITI aayog- Team India Hub and Knowledge and Innovation Hub. The Team India Hub leads the engagement of states with the Central Government, and the Knowledge and Innovation Hub builds NITI's Think-tank capabilities. Think-tank designs strategies and policies for Government of India. It also promotes research and Innovation in good governance and best practices. Aayog also takes lectures for transforming India. India's first innovation index portal India Innovation Index is jointly launched by NITI aayog and CCI (Confederation of Indian Industry).

The index is jointly developed by NITI aayog, CII, Department of Industrial Policy & Promotion with UNESCO, World Economic Forum (WEF), Cornell University, World Intellectual Property Organization (WIPO) etc. This index will drive people and state to make India an Innovation driven Economy as its main objective is to rank Indian states on Innovation. This index will provide data and track progress at national and state level as well. Currently India is at 66th Position on Global Innovation Index (GII) in 2016 among 128 countries.

2.2 MoUs

Ample number of MoUs were signed and promoted which will only make economy healthy and prosper. For enhancing cooperation among small and medium enterprises Union Cabinet approved MoU between India and UAE, which will provide more opportunity for SMEs and thereby for Indian Economy. United States of America government and Indian Government has signed MoU through bilateral engagement to provide clean energy, energy security and save climate for providing healthy and sustainable devel-

opment. For rural development Union Cabinet approved MoU between India and African Asian Rural Development Organization (AARDO). Union Cabinet has also signed MoU between Hungary and India to develop bilateral relationship concerning water resources of both the countries and improve water management. To encourage foreign trade and foreign investments between India and Iraq, MoU was signed between ECGC (Export Credit Guarantee Corporation) Limited of India and Export Guarantee Fund of Iran (EGFI).

2.3 GST

The vital need to revolutionize Indian taxation system was fulfilled on 29th March, 2017, when Goods and Services Tax (GST) bill was passed. GST came into effect from July, 2017. GST is indirect tax on goods and services supply and is levied on every point of sale from purchase of raw material, production, warehousing, to retailer and finally to end consumer too. GST will also be levied on every value addition to any product.

GST has three components:

CGST – Central Government inter-state collects

SGST – State Government intra state collects

IGST – for inter-state sale, Central Government collects

Table 1: New tax structure regime:

Sale within State	SGST + CGST	VAT + central excise/ service tax	Central and State shares the equal revenue
Sale Outside State	IGST	Excise/Service Tax + Central Sales Tax	On the basis of destination of Goods, Central will share the Revenue.

Cascading effect on tax, which was prevailing in India will be overcome by implementation of GST. This has made tax system simpler and effective bringing liquidity in the market and competitiveness as it is also destination-based tax. As GST is tech driven, it will make tax system speedy and accurate too. GST is beneficial to entire chain in the nation from Government to stake holders to final Consumers. As the costs will be controlled and barriers to economy will also be reduced, GST will also bring boom in Indian Economy.

GST is collected at every stage, thus it is a multi-stage tax. This will bring more transparency to the system as supply chain pays tax from top to bottom, tax paid can be easily distinguishable and will be helpful in verifying correctness and exact amount of tax paid and received. Hefty number of taxes like Central sales tax, service tax, Excise tax, luxury tax, Octroi, entry tax, entertainment tax, VAT etc. has been removed and GST has only three components to be taken care of. Maintaining of records and compliance has been made lesser, simpler and faster. GST will bring boost to Indian Export industry as exports are brought under zero tax rated which will improve balance of payment too.

Though there is a word of caution for GST implementation as some experts believe that few industries might have negative impact after implanting GST. Real Estate sector, aviation industry and garments industry costs are increased and thus can be negative for the sectors at least in the short run.

GST has to face few challenges too, as GST is levied centrally around the world, but in India both State and Central has the involvement. Interests of 29 states and 2 Union territories might not always coincide and can be challenging for the implementation.

2.4 Demonetization

Black money with fake currency and terror funding is considered to be the great obstacle in economic growth of India. Black money has also brought corruption to a giant level. Government of India, Prime Minister Mr. Narendra Modi, made a out of the blue announcement on 8th November, 2016 at 8 pm on television that from tomorrow Rs 500 and Rs 1000 notes be invalid. Government gave 50 days time, till 30 December, 2016, to withdraw that money from market, all notes shall be deposited to banks within that time. Industry and people faced short term negative impacts due to shortage of cash. Immediate impacts were seen due announcement, Sensex and Nifty fall more than 5% due to unpredictable announcement and fear in minds of public about savings and hard cash. Though things started to get on track after few days, and many bankers (Arundhati Bhattacharya and Chanda Kochhar etc.) and industrialist (Anand Mahindra, Sajjan Jindal, Narayan Murty etc.) found the move to be bold and appreciated it as strong move to fight terrorism with black money too. But black money holders got sleepless nights due to the bold move.

According to RBI(July-June 2017-17 fiscal), the estimated value that returned to banks were close to 99% (approximately 15.28 trillion)of currency notes demonetized in 2016. Though the move could not eradicate 100% black money or terror funding but Government and economy achieved many benefits from the move.

The major benefit to Government is it can track unaccounted black money holders, who used to sit on the huge piles of cash, never disclose it and thus never pay tax on it. Many people also do not disclose or deposit hard cash as they do not want to pay taxes. Post demonetization, it is not possible to hide the money and thus cannot steal the tax. Corruption will also be reduced with reduction in illegal activities like money laundering and terror funding. Fake currency has come to a halt. Business man who was hiding their income to avoid tax is left with no other option but to pay tax. Following the move people are depositing most of the cash in the banks and thus banks are having huge cash to use for betterment.

Demonetization has also increased number of tax payers and amount of tax received by the Government. According to Income tax department figures, 1.26 crore tax payers have been in financial year 2016-17. Number of e>Returns increased almost 25% in individual tax payers category. Under personal income tax, collection of advance tax has seen a growth of 41 percent in financial year 2016-17. In same year self assessment tax grew at 34 percent. Lakh of shell firms which were founded just to evade tax were detected after demonetization. Also properties worth crores were identified on the name which did not ever file tax returns also. Government is taking steps to stop such kind of suspicious transactions, benami properties and corruption. Though the other side of coin is immediate cash crunch leading to much difficulty on the day to basis and for Government, printing and circulating new currency notes costs' has to bear, which will add ultimate weight on tax payers' shoulders'. Cost of currency destruction is also loss to economy.

3. Other Initiatives

In 2013, India's growth rate has fallen to lowest of the decade and even among all the BRICS countries, India was called 'Fragile Five' as investment in India was considered risk. Then in 2014, Prime Minister

launched 'Make In India', to give pace to manufacturing in India and make India a design hub. The main aim of the campaign is to manufacture products in India and make market of Indian made products in the world. This was to attract more foreign companies to invest and put their manufacturing plants in India. This will also bring innovation and promote entrepreneurship skills in the youth of India. Companies of varied sectors like automobile, Pharma, tourism, telecommunication, power etc. among 25 sectors are invited to set up units and invest in India. When new industries will come up in India this will create more job opportunities in India and thus will reduce unemployment of the nation. Setting up industries requires good infrastructure too and thus infrastructure of the nation will be improved. The Department of Industrial Policy & Promotion (DIPP) is working with different agencies to build infrastructure that will attract more national & foreign industries. An Investor Facilitation Cell (IFC) was set up to assist investors from getting approvals to execution and provide after care support too. As more and more products will be made in India, GDP will expand and Indian economy will increase as well. Due to better infrastructure and support, more foreign industries will come in India and FDI will increase which will strengthen the Indian currency. To provide infrastructure, technology will be upgraded automatically and India will emerge as a new brand in the world.

To transform India into digitally empowered economy and knowledge society Government launched another flagship project named Digital India Programme. To ensure e-governance in the country and to strengthen electronic manufacturing, retailing this program need aroused. This program is coordinated with Department of Electronics and Information Technology (DeitY). This program aims to make all citizens digitally empowered, develop digital infrastructure and provide digital assistance. Many policy and schemes are developed under this programme. Digital Locker System, Swach Bharat mission mobile app, National Scholarship Portal, Digitize India Platform, Next Generation Network and MyGov.in are few such online services. Other schemes will focus on areas like:

- E-kranti - to deliver services online using technology in faster and safer manner in various areas like finance, education, healthcare, security, planning etc.
- Public Internet Access Programme – to make internet available in all rural areas too and make India connect to world.
- Universal access to mobile connectivity
- BHIM(Bharat Interface for Money) app
- E-governance
- India will have at least 100 Smart cities which are digitally connected and have modern infrastructure facilities.
- Major tourists spots will get WiFi connectivity
- National Center for Flexible Electronics (NCFlexE)- to promote research and innovation in flexible electronics.

Steps taken by Government to promote growth:

- To support business developing in India and speed up the process of setting up business in India, Government has launched a program called Simplified Proforma for Incorporating Company Electronically.

- In Urban and rural development strategy Government aims to provide affordable housing to Urban poor as well as poor with The Minister of Housing and Urban Poverty Alleviation under Awas Yojana.
- Governments' New investment promotion scheme called Invest India, with number of Indian and foreign companies to create million job opportunities by investing US\$ 62 billion.
- To make India a design hub in the world, the Government of India plans to establish four new National Institute of Design in the country. This will promote design skills and empowerment in India.
- To promote Start Ups, Union Cabinet has approved Rs. 10000 crore as initial corpus in 2016 under Fund of funds for Start Ups scheme.
- Also new schemes like Integrated Development Services Scheme for children, Adolescent Girls benefit Schemes and Programs for Maternity Benefits are in pipe line to fight health problems of the country.

4. Conclusion

This paper gives the overview about Indian Stock market and Indian Economy. Firstly it starts with the stock market since birth. Many new policy initiatives are taken by Indian Government to make Indian economy a fastest growing in the world. India ranks third in the world with Purchasing Power Parity of US\$9.489 trillion and seventh by nominal GDP of US\$ 2.454 trillion. India topped the World Bank's growth outlook for the first time in fiscal year 2015-16, with the growth of 7.6% at that time. Indian IT industry and automobile industries are growing at very fast pace to compete and top in the world. India is also working to become start-up capital of the world by providing platform to do ease of business and provide better infrastructure for the same. Numbers of new schemes and initiatives are taken naming a few are NITI Aayog, large numbers of MoUs with developing nations around the world. Bold steps of implementing GST and Demonetization were also taken for brighter and fraud-free economy. "Make in India" and "Digital India" are other initiatives to make India a digitally known brand in the world. These reforms are making Indian economy a fastest growing and glowing economy of the world.

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