

HINDSIGHT OF THE INDIAN ECONOMY

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Abstract

In recent years, the Indian economy has shown acceleration in economic growth. When India started its economic planning in 1950, our main objectives were sustained economic growth, self-reliance, better income distribution and alleviation of poverty. As per the perused policy, capital intensive and major industries were assigned to public sectors and rest were opened to private sectors. The global-development-experience of the last few decades shows that a policy with fewer barriers and restrictions can bring out the industrialization and export-growth fast by which, coupled with sustained economic growth, we can inch towards becoming a superpower. Sustainable-development is a process in which we should make use of our available resources in such a way that they can be used to fulfil our present needs without compromising those of future generations. Growth is a necessary condition, and we must embrace growth as the highest goal. It should be inclusive providing equal opportunities to every section of the society to participate in the process of growth. Recently in the last 2 -3 years, when we were at war with Covid-19, we visualized critical areas like tackling health emergency, focusing on social impact and economic response. In the era of Azadi ka Amrit Mahotsav, we must make rapid strides in every sphere of development and make our presence felt globally. For this, we have to achieve many milestones and sheer brilliance of the fundamentals to paint new vistas in Indian economy.

The year 2022-23 ushered in dynamism and a sense of optimism for the Indian economy, setting a tone for positioning India as an economic superpower in the years to come. Macroeconomic fundamentals have recovered dramatically from the sluggishness and dependency of the last years. India has emerged as one of the few large economies with a favorable economic outlook, amidst the widespread gloom and uncertainties suffered by a number of developed and emerging economies. This positive outlook animates to a successful turnaround from economic stagnations, persistent inflation, high fiscal deficit, weak domestic demand and high current account deficit. The paradigm shift in private sector and trade orientation beyond 1991 has been associated with higher rates of growth, over 6 percent between 1991 and 2004, and over 8.5 percent between 2003 and 2007, which thereafter clocked 9.5 percent before the global Financial Crisis started surfacing on the world economy. It is the latter figure that has drawn the attention of the world when India became one of the fastest growing economies in the world after China. The economic policy adopted since then, which is pursued as an alternative policy for planned development, is popularly called the economic reforms or simply the Reforms. The market driven policies replaced the government interventions and the activities reserved for the public sector were reduced to bare minimum. The word 'reform' denotes the

replacement of old order or policy by new order or policy. Such reforms are necessitated by the changes taking place around. The reforms are open minded and flexible response to the changing economic environment aimed at serving the best interests of the country.

Current Scenario

The fiscal year 2022-23 preambles the third decade of the 21st Century where we are traversing a long way, commemorating “Azadi ka Amrit Mahotsav” and simultaneously facilitating inclusive and sustained growth, well supported by “Atamnirbhar Bharat Abhiyan”. The economy is also witnessing a transformation phase rapidly. Under the circumstances, there is a need to get the economy ready for the youth of tomorrow. Indian economy remained relatively better placed drawing its strength from its fundamentals all through the difficult period. The external sector appears to be well buffered to withstand the terms of trade and portfolio outflows. Indian financial system remains resilient and supportive of the ongoing revival. We managed to respond to the devastating impact of Covid-19 with firm determination, strong human spirit, and scientific efforts. The proliferation of the internet has led to an exposition of demand for and availability of data abundance. The statistical data have laid a wonderful pathway in mitigating the deadly Covid-19. Though these couple of years may not have been very great in terms of economic growth, there has been a definite silver lining in terms of superlative performance on the agricultural front. The food grain production reached historical high record. Even horticultural production overshadowed food-grain production setting a record of high growth for ten years. The archiving policy and thrust on agriculture leading to a sizeable food-grain and horticulture produce as well as comfort food stock is something which helped the country to wade through this rather difficult period with relative ease. This is exactly in this context that ensuring adequate and sustained flow of the agriculture sector has been our principal focus. The marginalization of land holding has further aggravated the situation. A large section of the farmers is still deprived of the benefits of promoting research findings. Hence, we need to search for new options and solutions in farming.

Efficient Management of Pandemic

After a long spell of growth in the last few years, the occurrence of Covid, and the resultant imposition of lock downs, the situation of the downturn was further exacerbated with continued and severe implications for domestic growth. Covid-19 had set an urgent agenda before us, and we are still battling with this. The crisis evoked unprecedented policy responses. The Covid-19 pandemic has since early 2020 put the economy in serious jeopardy and forced the transformation of human lives and livelihood. Yet amid this unprecedented crisis, Indian agriculture sector stood out as an exception, growing at 3.6 percent during 2021, while the other sectors contracted. The Indian economy has emerged stronger from the adversity. The pandemic has re-emphasized the need to create are salient future-ready infrastructure. However, we should recognize the fact that despite making great strides over the past four decades, Indian (agriculture) is besieged with problems such as falling productivity, increasing input costs, low profits, the climate change, and volatile prices which render farming non-remunerative.

Cusp of globalization

Now we are at another cusp of globalization. The global economy is passing through an extremely uncertain period amidst the simultaneous interplay of various headwinds: Covid, the sharp rise in energy and other commodity prices, disruption in the global supply chain, and worsening food security. On the other hand, the globalization has also fostered competition, efficiency, innovation, etc. It has bridged the technology gap, improved institutional capacity and accelerated the accumulation of physical and human capital formation in emerging markets. The result was higher growth and the lifting of millions out of poverty. More importantly, globalization-led productivity gains contributed to a trend decline in inflation across countries due to black swans. The onset of the pandemic in early 2020 saw global commodity price crash as restrictions and the stringent lockdown were expected to lead to a collapse of aggregate demand. The impact of these overwhelming spillovers on India has been relatively modest. Corporate entities eventually face a trade-off. Any policy tightening would have been detrimental to growth and extracted heavy social costs without being effective in containing inflation pressures. The persistence of inflation at elevated levels as the current synchronized rise in inflation across the economies is not a maiden occurrence in modern economic history.

Building Strong Grassroots Institutions

The philosophy of building strong grassroots institutions as long-term social institutions was validated in the foregoing years when SHGs and FPOs effectively engaged in the larger cause of fighting the pandemic. The third wave of the pandemic has receded, the vaccination drive has been intensified, and despite the fourth wave started looming large the policy makers were unhesitatingly and unwaveringly hopeful of a vibrant economy and a rejuvenated agriculture ecosystem. The country has just battled one of the worst tragedies of human history due to the Covid-19 pandemic. These were incredibly challenging years like none witnessed in our collective memories. But during these looming and desperate times, the courage and unassailable spirit of the masses showed through and with the steadfast and unflinching support of the government, the country rallied together and remained strong throughout. The years 2020 and 2021, were also exceptional years that demonstrated the indomitable spirit and the resilience of humankind. This then remains a report on response, rehabilitation, recovery, reinvention, and resilience that infused immense confidence in the power of grit, determination, and human capacity to face and fight against adversities.

Rewriting Economic History

During the last few years, we were at war with the virus and visualized three critical areas for action. The crisis also evoked unprecedented policy responses. In the post-pandemic period, the country has practically rewritten its economic history by achieving many milestones that indicate the sheer strength of the fundamentals. Looking forward, the horizon is full of possibilities for the path-breaking initiatives and newer technology in the form of digitalization. This is an unparalleled success of the economy achieved through continuous innovation and complementing the initiatives of the government and other developmental agencies. History suggests that technology, science and prosperity has been the result of the efforts of multi-pronged strategies and constant endeavors since ancient time. Now with the introduction of the New Education Policy 2020, the government has emphasized highlighting our traditional knowledge, science, and technology to reclaim our age-old position of

Vishwa Guru. The three-dimensional development–Sustainable Development, Inclusive Development, and Human Resource Development ought to be the strong pillars of the all-around development of society. The indulgence of young scholars in taking up such a mammoth task and combining these variants in the form of a genre of research is worth appreciating.

Agricultural Sector

The performance of the agricultural sector influences the growth of the Indian Economy. In terms of composition, out of the total share of 18.8 per cent in GDP in 2022-23 for the agriculture and allied activities sector, agriculture alone accounted for 13.2 per cent of GDP, followed by fishing at 5.00 per cent and forestry and logging at 0.6 per cent of GDP. Notwithstanding the fact that the share of this sector in GDP has been declining over the years, its role remains critical as it accounts for about 50 per cent of the employment in the country. Apart from being the provider of food and fodder, its importance also stems from the raw materials that it provides to industry. The prosperity of the rural economy is also closely linked to agriculture and allied activities. The rural sector (including agriculture) is being increasingly seen as a potential source of domestic demand; a recognition, that is shaping the marketing strategies of entrepreneurs wishing to widen the demand for goods and services. The agriculture credit delivery system will perform well and more efficiently if the digitalization of land records is completed, and banks are allowed to create a charge online. Addressing the regional imbalances in agriculture credit fear is another area of priority. For instance, the Central Eastern and Northeastern regions together form 23% of total agriculture credit disbursed in the country while they have a 44% share in the gross cropped area.

Information on agricultural output

Timely availability of reliable information on agricultural output is of great significance for planning and policy making. The existing system of agricultural statistics, in spite of established procedures and wide coverage, has inherent limitations in the matter of providing an objective assessment of crops at the pre-harvesting stages, with the desired spatial details which are essential to identify problem areas and the nature of required interventions in terms of spatial, temporal and qualitative inferences. Capabilities of the existing system of crop forecasts and crop estimation can be enhanced with the introduction of technological advancements and the adoption of emerging methodologies. In turn, an efficient and sound information mechanism can assist considerably in the management of concerns in areas such as food security, price stability, international trade, etc. Remote Sensing (RS), Information and Communication Technology (ICT) and Geographic Information System (GIS) can be used towards this end. Schemes/projects like Forecasting Agricultural Output using Space, Agro-meteorology, and Land-based Observations (FASAL) and Extended Range Forecasting System (ERFS) have been initiated to establish a more scientific and reliable basis for forecasting.

Industrialization Policy

As per the pursued policy, capital intensive and major industries were reserved for public sector and the rest were opened for private sector. The public sector received priority and prominence in allocation of resources. Our country preferred the policy of controls, licensing, and restrictions in giving permission to private and foreign investors. The frameworks of other policies like taxation, fiscal and monetary policy,

foreign exchange policy and industrial policy were in line with the above-mentioned strategy. This was called ‘closed economy approach’ which suited well during the initial years of planning. However, its efficacy was lost thereafter. Our economic growth was slow and our problems started aggravating on account of many reasons. Things went wrong because we continued to cling on to the policies and institutions long after they served their purpose. Other developing countries like Japan, China, Thailand, Korea, and Indonesia liberalized their economies for global investments, competition, adopted global technologies. These countries achieved faster growth and prosperity. India lost the opportunity of faster growth due to not adopting alternative policies. The global development experience of the last few decades shows that a policy with fewer barriers and restrictions can bring out faster industrialization, export growth and sustainable economic growth. Indian economy experienced a downturn in the form of faltering industrial growth, widening deficit, depleting foreign exchange, and depreciation of the Rupee for some time. However, the Indian economy ended 2021-22 on a strong note. We will continue, as a key solution provider, to play a constructive role in the formulation to meet the challenge of the overall economy, with special emphasis on rural space.

Need to Focus on Rural India

The Indian economy cannot grow in a sustainable and equitable manner without the contribution of rural India and for this to happen financial inclusion needs to be put on a mission mode and sustained efforts of all the stakeholders are necessary over the next few years. The problem of India’s rural economy is not insurmountable and if tackled well can make India a force to reckon with the global arena. India started its economic planning in 1950. Our plan objectives were sustained economic growth, self-reliance, better income distribution and alleviation of poverty. We need to address the challenges of our rural economy through greater policy attention and coordinated efforts. The clear need of the hour is to focus on improving farm production and productivity, better utilization of agriculture inputs, proper marketing infrastructure and support, stepping up investment in agriculture with due emphasis on environmental concerns and efficient food management. We need to put in place efficient supply chain management, adopt international best practices and improve the entire “farm to fork chain”.

Infrastructural space

There are many players in the infrastructural space and to take part in making India the \$5 trillion economy, which has just outpaced U.K and jumped to enjoy status of largest fifth economy of the world. Now post-harvest Management is the crucial need of the hour. NABARD has taken enough initiatives to support infrastructure creation. Even the process of tagging storage across the country has been completed. The utter need of increase the diversification of agriculture is an urgent need. The agriculture sector should focus on high-tech agriculture, commercialization and high-value products.

Skills for Tomorrow

The youth aspires to acquire new skill sets and gain hands on experience in the use of technology. To enable the youth to emerge as confident and skilled entrepreneurs, agriculture business centers and agriculture business incubation centers have been set up. To provide focused venture capital for investment in agriculture centers and infrastructure by startups, various steps have been initiated at various levels. Skilling

the farmers and the youth to take technology into the fields will be the key to catalyzing this transformation of the rural economy necessary for Atma Nirbhar Bharat.

Inclusive Growth

With the arrival of banking technology, there is an increased focus on Inclusive Growth. This is because of the realization of the fact that unbanked villages and the poor provide business opportunities for banks and other financial intermediaries. Government of India and Reserve Bank of India have taken the multi-agency approach to implement financial inclusion and establishment of Financial Stability and Development counsel to institutionalize the mechanism for maintaining financial stability. The RBI has urged all banks to include performance under financial inclusion in the performance of their field staff. Banks have created financial literacy and Credit Counseling Centers. In the recent past, the efforts were directed towards eco-system development, and assuming the delivery model as a key, a complete eco-system was felt necessary. The main objective hovered around the issue that front-end device transactions must be seamlessly integrated with the banks' CBS which was of late done effectively and consequently, Business Correspondence (BC) Model was also strengthened. At the same time, branch-less modes of delivery were innovated, and the focus got shifted from growth to inclusive growth.

Economic development strategies must be compatible with environmental goals. This requires the incorporation of environmental dimensions into the process of development. It is important to make choices and decisions that will eventually promote sound development by understanding the environmental functions. The human economy is engaged in a wide range of activities that are causing enormous damage to the ecosystem that sustains both our species and the earth's legacy of biodiversity. The content of environmental sustainability concentrates on the most recent innovations, concerns, and challenges encountered by researchers in taking global issues related to pollution, environment and sustainability. This is the first step in the exploration of different deeper and broader ways of understanding the environment and sustainable development. We should look at ourselves and the others as the key to understanding human behavior towards the environment.

Banks are special commercial entities. Protection of depositors' interest is paramount to a robust, reliable and stable financial system in any country around the globe. Banks are also expected to be permanent institutions after they obtain a regulatory license. The banking sector is going through a process of churning. Banks have risen to the expectations of customers. They have lubricated the wheels of agriculture and industry. Banks have played a vital role in the development of the economy. To stay relevant, banks would need to embrace newer and tested technologies for effective and timely business decision-making, understanding the needs of their customers, and delivering personalized services. Banks have contributed heavily to poverty alleviation and employment generation programs. In recent past, banks have carved out special outfits like R'SETIs for short-period training for engaging the youth in productive ventures, particularly based on local resource endowment. Banking for tomorrow will strengthen these unique devices for the cause of economic growth and employment. Rural Development in India is not a political slogan, but it is a pure economic necessity.

Sustainable Rural Development

Distribution of benefits of the public program is one of the crucial things to alleviate poverty and ease inequality of income. A well-documented study of various related issues to improve the economic and social life of rural people involves the extension of benefits of developments to the poorest among those who seek a livelihood in rural areas. Upliftment of rural areas is crucial for the upliftment of our economy. Rural Development programs have passed through several phases. Its primary objective was to bring about an overall development in rural areas covering economic resources as well as the cultural and economic aspect of community life. Emphasis was laid down on the reduction of poverty and promotion of economic property by way of self-employment as a measure of curbing the disparity, which grew wider between those who owned resources and who did not. Rural Development hinges upon the drastic change in this plan and situation. The backward and forward linkages have also disappeared. The route of transfer of people out of low productivity in agriculture and related activities into more rewarding pursuits has been slow. However, the degree of agricultural development is India's economic development index. The government of India and the state Governments are giving impetus to create a scientific eco- system, speed up development according to the wishes and expectations of the villagers, and therefore transform the agriculture sector of the country through a holistic approach. With the experience and vision in the domain, the farmer himself is one of the valued stakeholders, and the creation of rural infrastructure is a catalyst for achieving sustainable rural development.

Curbing Financial Exclusion

A large portion of India's population lives on the outside of the country's financial systems. There are growing concerns about people being 'under-banked'. Financial inclusion is a top objective for the country in terms of economic growth and social development. It makes it possible to close the wealth divide. It helps to move money into the economy and ensures that people who have previously been unable to enter the financial system may do so with ease. The function of financial inclusion in the economy and how different stakeholders contribute to the overall development of the effort is of paramount importance. Financial Involvement benefits the economy. In today's race for economic strength and self-sufficiency, it is critical for any government to provide favorable conditions for individuals, households, and private entities, including the availability of banking services. Banking facilities and a strong bank branch network are significant enablers of developmental and expansionary activity. A strong and sturdy financial system is a pillar of economic growth, development, and progress of an economy. To stand out on a global platform, India must focus on inclusive growth, and financial inclusion is the key to the inclusive growth. There is still a long way to go for financial inclusion to reach the core poor. Opening no-frills bank accounts is not the goal or end goal of financial inclusion, while traditional financial institutions must acquire the trust and goodwill of the poor through establishing strong partnerships with community-based financial businesses and cooperatives. Financial inclusion has not produced the anticipated results, and there is still a long road ahead, but there is no doubt that it is playing a key role and is working positively.

Financial Inclusion (FI) is a policy thrust area for RBI and because of the various initiatives; tremendous progress has been made in the domain of financial inclusion since the country set out in mission mode about seventeen years ago. Further, with the launch of Pradhan Mantri Jan Dhan Yojana (PMJDY), almost every household has

been brought under the fold of formal financial system. Both in terms of deposit accounts and credit products, there has been a steady improvement over the years. RBI has initiated setting up a National Strategy for Financial Inclusion with the objective of making financial products and services available, accessible, and affordable to all citizens in a safe and transparent manner to support inclusive and resilient multi-stake holder led growth. The strategic pillars of the financial inclusion strategy would include universal access to financial services, providing basic bouquet of financial services, access to livelihood and skill development, financial literacy and education, customer protection and grievance redressal. The FI strategy aims for sustainable financial inclusion by leveraging technology and adopting a multi-stakeholder approach.

New Phase of Faster Expansion

The Indian economy's development trajectory in the first decade of the twenty-first century appeared to signal the start of a new phase of faster expansion. From an average growth rate of roughly 6% for the previous quarter-century, the rate has surged to 8.1% during these years. Along with the falling population growth, this revealed that per capita income increased by more than 6% in those years resulting in a doubling of per capita income every ten years. Most crucially, the economic process was not a fluke and is showing signs of sustainability as well as financial stability, despite the challenges from unforeseen external shocks.

Financial inclusion is not a novel notion in India, since we are one of the few countries that have pioneered financial inclusion in some form or another. Banking systems were forced to adhere to two basic principles: i). serving the needs of the real economy and ii) profitability. However, there have been instances where pursuits for profitability through cost reduction resulted in the natural exclusion of several sections of society from a financial net. Concerned with this exclusion, the Finance Minister noted in the Budget Speech 2005-06, "The financial inclusion provides business prospects for the financial institutions at the bottom of the pyramid to expand the volume of the business. Profitability could be raised solely by identifying new avenues for deployment of cash & thus emphasized the requirement of financial inclusion of those parts that stands excluded". The era of inclusive growth is upon developing nations, and financial inclusion is the key to inclusive growth. Financial inclusion, also known as inclusive financing, is the provision of financial services at low or no cost to the disadvantaged and low-income segments of society. There have been many formidable challenges in financial inclusion, such as bridging the gap between the financially excluded sections of society and the formal financial system, providing financial literacy, and strengthening credit delivery mechanisms in order to improve financial economic growth. A nation can grow economically and socially if its weaker sections can become financially independent. Based on my experience in teaching in higher education institutes and as a policy maker in banking sector, I strongly emphasize the fundamental characteristics of financial inclusion and its importance in the social and economic development of society. My studies focus on the role of financial inclusion in strengthening India's economic position in comparison to other countries. After analyzing the facts and figures, it can be concluded that financial inclusion is certainly playing a catalytic role for the economic and social development of society but still there is a long road ahead to achieve the desired outcomes.

The way forward

In the past, the financial inclusion was mandated through direction of priority sectors lending and branch licensing and we succeeded to a large extent in those mandates. Critics of the mandatory approach maintain that for bringing improvement, healthy force like competition be injected. However, deterrents like rudimentary infrastructure, uneven regulation, monopoly or even cartelization can be great obstacles in the way of market functioning. The RBI should extend helping hand to the bottom of pyramid businesses by putting in place right infrastructure construction and enabling regulation so that through development of products, institutions and networks, Financial Inclusion fostering can be encouraged. Greater financial inclusion is an important driver for attaining social inclusion and many of the SDGs. Mobile financial services can bring millions into the formal economy, enhancing individual livelihoods and reshaping sustainability of the economy. Future studies should examine other interventions that promote financial inclusion. Apart from the popular interventions which are financial innovations, digital technology, financial literacy and cheap loan schemes and other ideas should be explored so that a wide variety of options are available to policy makers seeking to adopt new financial inclusion strategies. Future research should provide new ideas, strategies and interventions that increase financial inclusion in countries where all available options have already been used up.

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