A PROJECT REPORT ON

"INDIAN ECONOMIC REFORMS: START OF A NEW ERA"

A Project Submitted to

University of Mumbai for Partial Completion of the Degree

of Bachelor in Commerce (Banking and Insurance)

Under the Faculty of Commerce

By

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T.Y.B.B.I(SEMESTER – VI)

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Under the Guidance of

'ASST. PROF. DR. KISHOR CHAUHAN'

JNAN VIKAS MANDAL'S

Mohanlal Raichand Mehta College of Commerce

Diwali Maa College of Science

Amritlal Raichand Mehta College of Arts

Dr. R.T. Doshi College of Computer Science

NAAC Re-Accredited Grade 'A+' (CGPA : 3.31) (3rd Cycle)

Sector-19, Airoli, Navi Mumbai, Maharashtra 400708

FEBRUARY, 2024.

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CERTIFICATE

This is to certify that **Ms.____**has worked and duly completed his Project work for the degree as Bachelor in Commerce (Banking and Insurance) under the Faculty of Commerce in the subject of **Banking** and her project is entitled, "____".
Under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of any University.

It is her own work and fact reported by her personal finding and investigations.

Guiding Teacher,

ASST. PROF. DR. KISHOR CHAUHAN.

Date of submission:

<u>DECLARATION</u>

I the undersigned **MS. KAJAL JAGRAM YADAV** here by, declare that the work embodied in this project work titled **"*INDIAN ECONOMIC REFORMS: START OF A NEW ERA*"**, forms my own contribution to the research work carried out by me under the guidance of **ASST. PROF. DR. KISHOR CHAUHAN** is a result of my own research work and has been previously submitted to any other University for any other Degree/ Diploma to this or any other University.

Wherever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.

I, here by further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

(KAJAL YADAV)

Certified by:

ASST. PROF. DR. KISHOR CHAUHAN.

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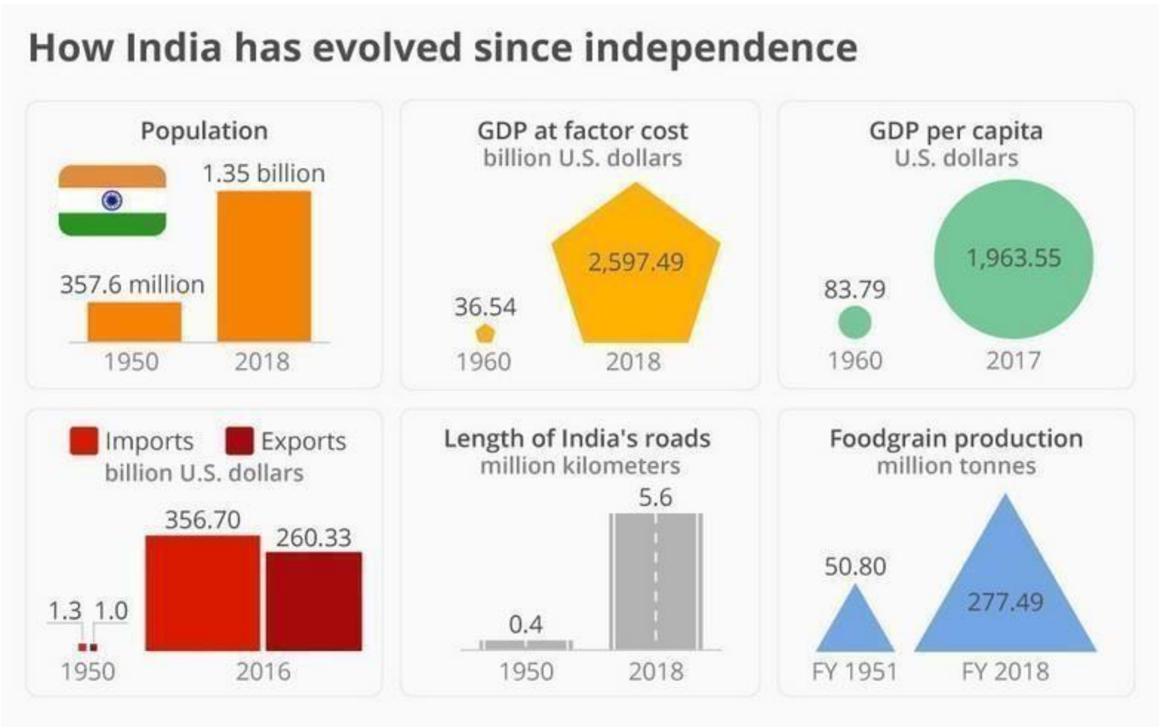
INTRODUCTION

Reforms in an economy are infinite, they continuously evolve as per the need of the time. In case of India's economy, serious attempts are the need of the time to improve the situation as 33% of population is still below the poverty line, many people dies of Hunger even after 70 years of independence.

After 1991 reforms Indian government has taken many steps to improve situation of economy especially in recent years like - ease of doing business, easy credit, GST, steps towards vocationalization of education & skill development to provide skilled labour, digitisation, formal employment generation, quick clearance and approvals and so on.

But still there are some gaps which are a matter of concern like Corruption, Fiscal Deficit, Current A/c deficit, Lack of co-ordination between various authorities and between central and state governments, uncertain policies, environmental degradation and disasters, Proper implementation of programmes and schemes and so on.

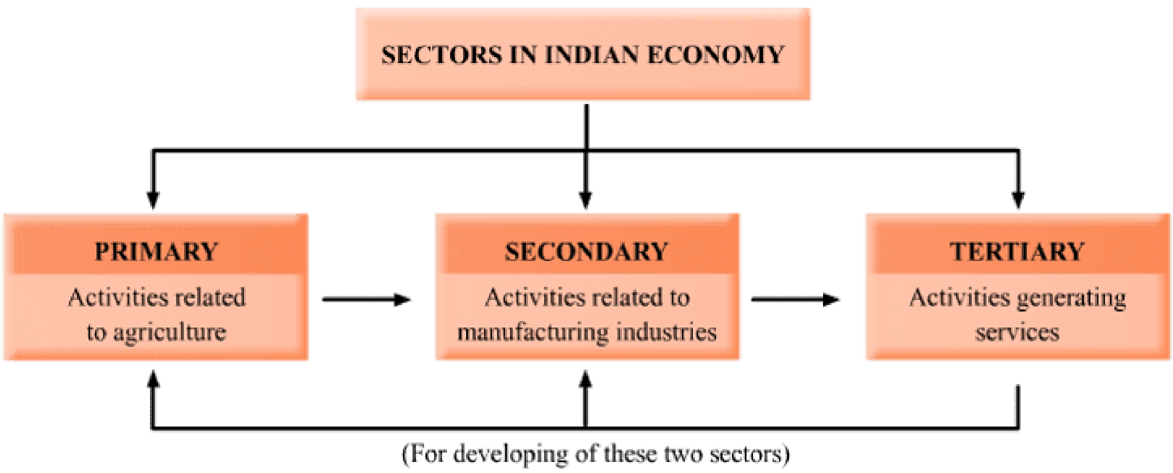
By studying above issues with available data we can analyse the situation well which can help to adopt a targeted approach to address these issues.



Indian economy has been one of the most important economy of the world from ancient times. India had the market share of over 25% of world trade before British era. India was the biggest exporter of cotton cloth in the world. Indian spices were very popular especially in western countries. But Indian economy deteriorated heavily during British rule.

Since independence, Indian government took several reform measures in Indian economy like – Land reforms, 5-year plans, Promotion to Public sector, Green Revolution, Nationalisation of Banks and the major one Liberalisation, Privatisation, Globalisation (LPG Reforms) in 1991 due to balance of payment crisis. 1991 reforms lead to liberalisation of policy decisions, simplifying laws and regulations for private industries, disinvestments in public sector enterprises, adoption of floating currency prices, easier FDI permissions, removal of trade restrictions (qualitative and quantitative) and so on. With time VAT was introduced which recently replaced by GST.

Today Indian Economy is based on 3 key sectors and 1 evolving sector whichhave their own challenges :



Agriculture Sector

As per the ancient inscriptions and manuscripts which were discovered, written by various scholars, poets and writers of ancient era, we found Indianeconomy has always been heavily dependent on Agriculture. It is Primary sector of the economy. Agriculture contributes to 17% of annual GDP and employs 55% of workforce of india.

Issues- During British era, India's agriculture-based economy started deteriorating and within a century most of the farmers became indebted and landless. Even today most of the small farmers are indebted and landless, working as labourers in agricultural fields. Today farming is not a profitable work due to:

- Exploitation of farmers by moneylenders
- Lack of credit availability by formal sector like banks
- Land degradation due to excessive use of chemical fertilizers
- Pests and crop diseases
- Natural calamities like cyclones in coastal areas, floods etc.
- Lack of Irrigation facilities and depleting groundwater

Actions by Govt.- Government has taken many actions in recent years to overcome farm distress:

- Schemes like Kisan credit card, Priority sector lending (40%) norms byRBI, opening of Micro finance institutions in rural areas etc.
- Watershed development to conserve rain water, dam building (big and small) for irrigation under Pradhan Mantri Krishi Sinchayi Yojana.
- Soil Health card scheme to measure quality of soil and to suggest crops according to type of soil for better yield
- Increase of Minimum Support Price (MSP) recently upto 150% ofproduction cost for many crops
- Launch of Pradhan Mantri Fasal Bima Yojana for crop insurance.
- Promoting of organic farming
- Use of genetically modified seeds like BT Cotton
- Promoting micro irrigation techniques to save water.

- E-NAM portal to digitally connect farmers directly to the buyers intra and inter-state to help them to get better prices for their produce.

Conclusion- Above measures helped many farmers but there are still gaps in implementation of laws and schemes, lack of coordination between central and state governments and various authorities. Frequent loan waivers and natural disasters are further deteriorating economic condition of the farmers and the country. Hence, infrastructure facilities and food processing chain facilities should be provided to farmers to help to tackle food wastage and to get better prices for farmers in future. Further employment in manufacturing and service sectors should be increased to provide other employment opportunities to farmers.

Industrial Sector

In a capitalistic country, growth of manufacturing sector is important for GDP growth and employment. It includes- mining, electricity, construction etc. Developed countries like USA, England, Japan etc developed due to growth of their manufacturing sector. Today China is the biggest example to prove importance of manufacturing sector today.

India's manufacturing sector is at development stage contributing 31% of annual GDP and employs 20% of total workforce of India.

Issues-

- Bureaucracy delays in government approvals for industrial setup, corruption, environmental clearance, land acquisition etc.
- Due to increasing use of technology like 3D printing and automation by increased use of bots, need for labour is decreasing and this became a big stress for government today.
- Inequalities increasing because industrial sector growth is largely concentrated in well connected regions where infrastructure and raw materials are readily available.
- Labour laws in india and frequent strikes leads to difficulties.

Actions by Govt.- Government has taken many steps:

- Single window permission for investors
- Automatic approval of 100% FDI in more than 90% of sectors
- Permission via online platforms to reduce corruption
- Government is promoting MSME sector which is labour intensive
- Easy credit availability via MUDRA loans
- Merchandise export of India scheme (MEIS) for garment sector to offset infrastructural inefficiencies

Conclusion- Actions taken by government has started giving results which is proved by Ease of Doing Business ranking of World Bank in which in last 3 yearsindia came to 77^{th} rank from 123^{rd}. Trade war between USA and China has opened vast opportunities for india to become a manufacturing hub in place of china. Recently government of india has targeted 25% contribution to annual GDP by industrial sector by 2025 which looks achievable with current speed of reforms.

Service Sector

Service sector is the 2^{nd} most labour intensive sector in india after Agriculture. Service sector is a developed sector in india largely because of availability of highly skilled professionals. It includes- Education, Health, Tourism, Banking sectors etc. Service sector contributes to 52% of annual GDP and employs 25% of total workforce of india.

Issues- Issues which india is facing with service sector are:

- Protectionism policies by developed countries reducing opportunities in countries like india.
- Rapid technology development continuously creates challenges for policy makers
- Data security of citizens has became a big threat today
- Cyber security became one of the biggest threats
- Artificial Intelligence, Blockchain, Internet of Things (IoT) technology hascreated a challenge for employment prospects in future for youth.

- Inadequate infrastructure facilities available especially in rural areas.
- Stiff competition from other countries like Vietnam, Phillipines, China,etc.

Actions by Govt.- Government has taken many actions:

- Easy credit availability
- Easing private sector investment in infrastructure sector
- Pradhan Mantri Kaushal Vikas Yojana for skill development of labour
- To tackle cyber security challenges govt has created various agencies like CERT-IN.
- Government is currently progressing towards Data Protection Law to secure personal data of Indian citizens.
- Easy and quick approvals for FDI in service sector.

Conclusion- Despite various challenges service sector is the most rapidly growing sector in india which has a potential to absorb labours released from other sectors. Now the major challenge in front of Indian government is to address the challenges introduced by latest technology and to remove impediments in front of growth of service sector.

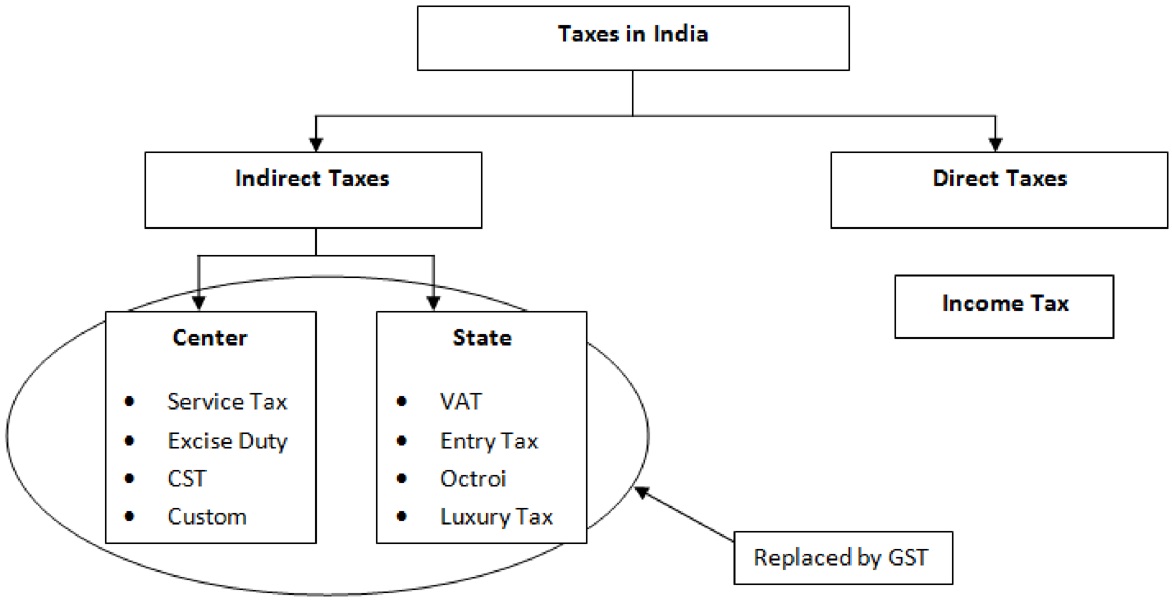
Quaternary Sector

Some economists divide economy into 4 basic sectors including Quaternary sector. It is specialized tertiary activity and based on knowledge and skill. It includes Intellectual activities of the economy like IT Sector, scientific research,media etc.

This sector is evolving quickly with the latest technological development and this sector has a huge growth potential in future or we can say that future will depend on the growth of this sector.

Various reforms undertaken by government recently are:

Tax Reforms



a) **Direct Tax -** recently Indian government made a committee headed by Arvind Modi to suggest a new direct tax law as the Income Tax Act 1961became too old to address issues of handling modern business taxation.

b) **Indirect Tax-** Government introduced Goods and Services Tax (GST) by subsuming various other taxes like- excise duty, additional custom duty,octroi tax, entertainment tax, VAT etc.
It is one of the biggest tax reforms in india. This tax united the country into- one nation, one market, one tax. A GST Council has been made with representation from both Centre and states to decide on tax.

GST lead to various benefits:

i. **Elimination of Multiple Taxes-** The biggest benefit of GST is an elimination of multiple indirect taxes. All taxes that currently exist will not be in picture. This means current taxes like excise, octroi, sales tax, CENVAT, Service tax, turnover tax etc will not be applicable and all thatwill fall under common tax called as GST.

ii. **Saving more Money-** For a common man, GST applicability means the elimination of double charging in the system. This will reduce the price of goods and services & help common man for saving more money. It is expected that price of FMCG products, small cars, cinema tickets, electrical wires etc is expected to reduce.

iii. **Ease of business-** GST will bring one country one tax concept. This will prevent unhealthy competition among states. It will be beneficial to dointerstate business

.

iv. **Easy Tax Filing and Documentation-** For a businessman, GST will be a boon. No multiple taxes means compliance and documentation will be easy. Return filing, tax payment, and refund process will easy and hassle free.

v. **Cascading Effect reduction-** GST will be applicable at all stages from manufacturing to consumption. GST will provide tax credit benefit at every stage in chain. Today at every stage margin is added and tax is paid on whole amount, in GST you will have tax credit benefit and tax will be paid on margin amount only. It will reduce cascading effect of tax thereby reducing cost of product.

vi. **More Employment-** As GST will reduce cost of product it is expected that demand of product will increase and to meet the demand, supply has to go up. The requirement of more supply will be addressed by only increasing employment.

vii. **Increase in GDP-** As demand will grow naturally production will growand hence it will increase gross domestic product. It is estimated thatGDP will grow by 1-2% due to GST.

viii. **Reduction in Tax Evasion-** GST is a single tax which will include various taxes, making the system efficient with very little chances of corruptionand Tax Evasion.

ix. **More Competitive Product-** As GST will address cascading effect of tax,inter-state tax, high logistics cost it will make manufacturing more competitive. This will bring advantage to businessman and consumer.

x. **Increase in Revenue-** GST will replace all 17 indirect taxes with single tax. Increase in product demand will ultimately increase tax revenue for state and central government. Goods and service tax is a boon for the Indian economy and the common man. It is a welcome step taken by the government.

Demonetisation

A major achievement of demonetisation has been that it has the governmentin tracking black money. The government claimed that large sums of black money were kept hidden by tax evaders and demonetisation has helped it uncover the huge amount of unaccounted cash. According to estimates made by RBI during the demonetisation drive, people had deposited more than rupees 3 lakh crores worth of black money in the bank accounts.

A major reason behind demonetisation was that a big part of black money was being used for funding terrorism, gambling, in inflating the price of major assets classes like real estate, gold and other social evils. Demonetisation is acting as an effective countermeasure against such activities. Now all such activities are expected to get reduced for some time. If the claims are correct then it should take years for people to generate that amount of black money again and hence in a way it helps in putting an end this circle of people doing illegal activities to earn black money and using that black money to do more illegal activities.

Another expected benefit was that due to people disclosing their income by depositing money in their bank accounts, the government will get a good amount of tax revenue which can be used by it towards the betterment of society by providing good infrastructure, hospitals, educational institutions, roads and many facilities for poor and needy sections of society.

Another major objective of the government achieved through demonetisation was to push the Indian economy towards becoming cashless. The government succeeded in encouraging people to use digital means for making transactions.

Economy has witnessed close to 20% decline in currency in circulation, number of taxpayers has considerably increased and a large number of shell companies have been identified.

Digitisation

By implementing digital payment methods, like Digital Point of Sale (DPOS), Unified Payment Interface (UPI), mobile wallets, Mobile Point of Sale (MPOS) etc., our country is moving towards creating a digital economy that will benefit the people and the government in various ways. Some of the primary advantages that government witnesses from the digital economy are:

1. **Removal of Black Economy:** When the transactions are made digitally,they can be easily monitored. Any payment made by any customer to any merchant will be recorded. This way, there will be no means for illegal transactions to occur. By restricting the cash-based transactionsand using only digital payments, the government can efficiently expel the black economy.
2. **Increase in Revenues:** This is one of the most obvious and common benefits of the digital economy. When the transactions are digitized, monitoring sales and taxes becomes convenient. Since each transactionis recorded, the customers will get a bill for their purchase, and the merchants are bound to pay the sales tax to the government. This, in

turn, increases the revenue of the government – thus resulting in growthof the overall financial status of the country.

3. **Empowerment to People:** One of the biggest advantages of moving towards digital economy is that it gives an empowerment to the citizens. When the payments move digital, each and every individual is bound to have a bank account, a mobile phone, etc. This way, the government can easily transfer the subsidies directly to Aadhaar-linked bank accounts of people. In short, people no longer have to wait to receive the incentives and subsidies that they are bound to receive from the government. This feature is already in place in most cities. One example of that would be the LPG subsidy that government gives to the common people. This subsidy payment is done via bank transfers these days.
4. **Paves the way to e-governance**: The quicker, safer, and more efficient alternative to traditional governance, e-governance will be the ultimate outcome of the digital economy. From birth certificate to death certificate, everything is available online – thus it is convenient for people to access the information they need on the go. Digital economy will definitely pave a way to e-governance, where delivery of all government services would be done electronically.
5. **Creation of new jobs:** The digital economy has a lot of potentials to enhance job opportunities in new markets as well as increasing employment opportunities in some of the existing occupations in the government. This way, the unemployment rate in the country is bound to decrease.

Insolvency and Bankruptcy Code (IBC)

The enactment of the Insolvency and Bankruptcy Code (IBC), 2016, is an important reform for India and its implementation has to be meticulously done. India does not have a great track record on the implementation of laws.IBC presents an opportunity to alter that image and exhibit that India can deliver prompt and effective implementation. While the government has chartered the course of its implementation with great zeal, the onus to make IBC successful now rests with other key stakeholders—the judiciary, adjudicating authority, insolvency professionals, lenders and borrowers. Each stakeholder must play an enthusiastic and constructive role in potent implementation of IBC and ensure that IBC matures commensurately with economic developments in the country.

Following are the key features of Insolvency and Bankruptcy Code:

1. **Resolution of Insolvency:**

Insolvency and Bankruptcy Code (IBC), 2016 lays down the separate insolvencyresolving procedures for companies, individuals as well as partnership companies. It is possible to initiate the procedure either by the creditors or thedebtors. The code lays down a maximum time period for completing the insolvency resolution procedure for individuals and corporates. In the case of acompany, the procedure must be fully completed in one hundred and eighty days, which can later be stretched by ninety days only when a large percentageof creditors permit or agree. On the other hand, in the case of start-ups (aside to the partnership companies), small organizations as well as other organizations (having less than Rs 1 crore worth of assets), the resolution procedure would be fulfilled within a period of ninety days of initiating the required that can be further stretched by as many as 45 days.

2. **Regulator of Insolvency:**

The Code lays down that the Insolvency and Bankruptcy Board of India (IBBI)shall oversee the proceedings related to insolvency in the nation and also regulate all the organizations that have been registered by the board. The Insolvency and Bankruptcy Board shall consist of ten members, which would also include the representatives of the Law and Finance ministries as well as the RBI (Reserve Bank of India).

3. **Licensed Insolvency Professionals:**

The management of insolvency procedure shall be done by licensed insolvency professionals. They would also exercise control on the debtor's assets at the time of the insolvency procedure.

4. **Insolvency and Bankruptcy Adjudicator:**

The Code has introduced two distinct tribunals for overseeing the procedure resolving insolvency, for companies and individuals. These are (i) the National Company Law Tribunal for organizations and Limited Liability Partnership companies; as well as (ii) the Debt Recovery Tribunal for overseeing insolvencyresolution for individuals as well as partnership firms.

5. <u>Procedure</u>:

An insolvency plea is given to the authority that adjudicates (in corporate debtor's case it is NCLT) by operation or financial creditors or the corporate debtor. The plea can be accepted or rejected in a maximum time period of fourteen days. In case the plea gets acceptance then the tribunal will have to quickly appoint an IRP or Insolvency Resolution Professional for drafting a planof resolution within a period of 180 days (that can be extended by ninety days). Following this, the court would initiate the process of resolving corporate insolvency. For that particular period, the company's directors shall remain suspended whereas the promoters shall have no say in the company management. The Insolvency Resolution Professional can seek help of the management of the company for handling everyday operations. In case the CIRP is unable to revive the organization, then the process of liquidation shall be initiated.

6. <u>Amendments</u>:

Certain individuals are prohibited from providing any plan of resolution in case there are any defaults. Hence, wilful defaulters, management or promoters of company in case there is any non-performing outstanding debt for more than a year, as well as directors who have been disqualified cannot submit any plan. Apart from this, the bill also places a restriction on the selling of a defaulter's property to any such individuals at the time of liquidation.

IBBI has been at the forefront of creating the architecture of the new insolvency law. It has set the bar high right from the start and must constantly raise the standards so that the market is vying to match its pace rather than the reverse of it. Global standards demand that the insolvency regulatory bodyshould be independent from the government. IBBI should have expert independent directors on its board. The advisory committee cannot be a substitute for the role independent directors play.
As a regulator operating in the financial sector, IBBI should be rubbing shoulders with other financial sector regulators and work closely with institutions under the domain of the ministry of finance. The regulator will need to have a robust surveillance system. There are already murmurs in the

market about the incompetence of a few insolvency professionals in performing their duties.

Insolvency professionals

Such professionals sit at the heart of the insolvency system. Non-availability of adequate number of skilled and trained insolvency professionals is fast becoming a matter of concern. The complexity of insolvency demands that insolvency professionals are appropriately qualified and possess skills to balance commercial reality with legal requirements to preserve the entitlements of stakeholders. Equally important are personal qualities, such asintegrity, impartiality and independence. It is important that insolvency professionals are able to operate independently, free from the threats and pressures of frivolous complaints, constant nagging by creditors or debtors, and uncertainties around payments of legitimate fee and expense.

It is critical that IBBI evolves a more stringent mechanism for licensing insolvency professionals. In fact, insolvency professionals working on high-profile cases should transfer knowledge and experience to other professionalsin the market by participating in seminars and workshops.

Debtors

Businessmen will need to swiftly reconcile with the new “credit in control” insolvency system. The promoters of the 12 big accounts in respect of insolvency proceedings that have been commenced lately, and of other companies, should offer full cooperation in handing over the management, control of affairs and assets to resolution professionals. The promoters sincerely interested in revival of enterprises should not see their displacementas a threat, but as an opportunity to focus on putting together a resolution plan free from distraction of managing the business. The debtors commencing insolvency process should take creditors in confidence before filing insolvency proceedings. The directors and officers have to be mindful of liabilities arising from wrongful, fraudulent and preferential transactions in the pre-insolvency period.

Lenders

IBC envisages a “creditor in control regime,” with the creditor committee comprising of financial creditors being an important stakeholder, in a way the most important one. Since each decision of the committee is carried through 70% vote in the value of its members, responsibility rests on secured and unsecured financial creditors to ensure, together with resolution professionals, absolute fairness of the process and decision-making. The creditors must ensure faster decision-making process as compared to the joint lender forum. They should recognise that good quality professionals will come at a price and should be willing to pay market-based fees.

India must aspire to compete with the best insolvency system on the strengthof its unique characteristics. Its success can make the country an attractive choice of jurisdiction for resolving insolvency. All stakeholders must make thesuccess of IBC a common goal and national aspiration.

The very recent case of 'Essar Steel' which gave lenders almost 85% of theirmoney lent is this act's biggest success till date.

Ease of Doing Business (EoDB)

Ease of Doing Business (EoDB) refers to an environment that is conducive for the efficient running of a business enterprise and facilitates simple, transparent and time bound procedures and compliances. India has come a long way in improving its EoDB measures, especially in terms of simplificationof rules and procedures for the smooth flow of administrative processes and improving transparency.

The World Bank ranks countries on EoDB on the basis of 10 indicators such as starting a business, getting electricity, registering property, paying taxes, trading across borders, dealing with construction permits etc. India leapfrogged 30 spots and joined the top 100 club in the World Bank's Doing Business rankings in 2017, primarily on account of improvements in paying taxes, resolving insolvency and protecting minority investors.

India now aspires to be among the top 50 attractive destinations for doing business and the Government has been undertaking a series of reforms in recent times to improve the overall regulatory environment and the businessclimate of the country. Led by the Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry, the EODB effort represents a mission-mode approach involving all ministries and departmentsas well as state governments.

The overall mission includes measures such as greater digitisation, single applications, introduction of SPICE forms, segregation of outdated laws and regulations and simplification of processes, among many others that are contributing to making business procedures faster and simpler.

Trading across borders has been a major focus in the last few years, which occupied a low rank of 146 in the World Bank rankings. Single Window Interface for Facilitating Trade (SWIFT), reduction in paperwork and a shift to apaperless compliance system, improved customs clearances under the integrated Risk Management system, boosting Direct Port Delivery and building an effective Port Community System are some of the recent initiatives that have been undertaken in this area. Additionally, India has actioned the WTO Trade Facilitation Agreement (TFA) which has further encouraged reforms. These measures would help to bring down the transaction costs involved in exports and imports and are expected to reflect a better ranking next year.

Registering property in India takes 8 procedures and 53 days compared to only2 days in New Zealand. The Government has proactively taken up several reforms, especially at the state level to remove procedural delays and speed up processes in this area. Defining clear timelines for processing applications for land allotment, a model sale deed format for registration of property, improving efficiency of land banks and digitization of land records are some ofthe initiatives that have been undertaken in recent times. Delhi and Maharashtra, along with many other states are introducing Geographical Information Systems (GIS) which would help in greatly accelerating the process.

The lack of a well-defined system for dispute resolution had created many bottlenecks in the area of enforcing contracts. Recent reforms such as the National Judicial Data Grid – a monitoring tool to identify, manage and reduce pending cases, introduced by the central government; establishment of dedicated Commercial Courts at the district level by several states for facilitating speedy resolution of commercial disputes as well as implementation of e-courts, e-payments, e-filings, e-summons etc. would greatly increase the efficiency of enforcing contracts.

Significant improvements have been brought about in Paying Taxes as well with reforms such as electronic payment of tax and easing of compliances with corporate income taxes playing a major role in the latest improved rankings. With the introduction of the transformational Goods and Services Tax (GST), the rankings are expected to improve further with GST placing all taxpayers and authorities on a single online platform.

Resolving insolvency has also seen many improvements with the simplification of insolvency proceedings and fast tracking of processes after the implementation of the landmark Insolvency and Bankruptcy Code (IBC), 2016. The issue of bad loans and Non- Performing Assets (NPAs) have also been effectively addressed since IBC's implementation.

The process of Dealing with Construction, currently ranked 181, also witnessed positive developments wherein states have directed efforts to reduce time and cost for obtaining permits and have also introduced the provision of deemed approval. Inspections are being integrated and are risk-based to expedite the approval process.

While India's remarkable performance in the Doing Business Rankings is an outcome of these rigorous infrastructural, legislative and administrative reforms undertaken by the Central Government, it is important to note that the states have also proactively undertaken measures to improve their business climate.

Going beyond Delhi and Mumbai, the Indian Government under the Business Reforms Action Plan (BRAP) has included all Indian states in the EoDB mission.Currently, there are 7 states, namely Haryana, Chhattisgarh, Madhya Pradesh,Andhra Pradesh, West Bengal, Jharkhand and Telangana that have achieved 100% success. As many as 18 states have achieved over 90% success in addressing the procedures identified by the DIPP.

The efforts of both the central and state Governments in improving the business climate in the country are indeed commendable and it can be expected to gain further momentum going forward.

Make in India

Government of India launched the Make in India initiative on September 25, 2014, with the primary goal of making India a global manufacturing hub, by encouraging both multinational as well as domestic companies to manufacture their products within the country. Led by the Department of Industrial Policy and Promotion, the initiative aims to raise the contribution of the manufacturing sector to 25% of the Gross Domestic Product (GDP) by the year 2025 from its current 16%. Make in India has introduced multiple new initiatives, promoting foreign direct investment, implementing intellectual property rights and developing the manufacturing sector.

It targets 25 sectors of the economy which range from automobile to Information Technology (IT) & Business Process Management (BPM), the details of each can be viewed on the official site (www.makeinindia.com).

It also seeks to facilitate job creation, foster innovation, enhance skill development and protect intellectual property. The logo of 'Make in India' – a lion made of gear wheels – itself reflects the integral role of manufacturing in government's vision and national development. The initiative is built on four pillars which are as follows:

1. **New Processes**: The government is introducing several reforms to create possibilities for getting Foreign Direct Investment (FDI) and foster business partnerships. Some initiatives have already been undertaken to alleviate the business environment from outdated policies and regulations. This reform is also aligned with parameters of World Bank's 'Ease of Doing Business' index to improve India's ranking on it.

2. **New Infrastructure**: Infrastructure is integral to the growth of any industry. The government intends to develop industrial corridors and build smart cities with state-of-the-art technology and high-speed communication. Innovation and research activities are supported by a fast-paced registration system and improved infrastructure for Intellectual Property Rights (IPR) registrations. Along with the development of infrastructure, the training for the skilled workforce for the sectors is also being addressed.

3. **New Sectors**: 'Make in India' has identified 25 sectors to promote with the detailed information being shared through an interactive web- portal. The Government has allowed 100% FDI in Railway and removed restrictions in Construction. It has also recently increased the cap of FDI to 100% in Defence and Pharmaceutical.

4. **New Mindset**: Government in India has always been seen as a regulator and not a facilitator. This initiative intends to change this by bringing a paradigm shift in the way Government interacts with various industries. It will focus on acting as a partner in the economic development of the country alongside the corporate sector.

Since the launch of Make in India in September 2014, FDI inflows of USD 77 billion including a equity inflows of USD 56 billion has been received for the period October 2014 to March 2016. This represents about a 44% increase inFDI Equity inflows over the same corresponding period.

'Zero defect zero effect' is a key phrase which has come to be associated with the Make in India campaign. In the words of Prime Minister Narendra Modi, "Let's think about making our product which has 'zero defect'… and 'zero effect' so that the manufacturing does not have an adverse effect on our environment".[5] Thus, sustainable development in the country is being made possible by imposing high-quality manufacturing standards while minimising environmental and ecological impact.

Start-up India

Start-up India is a flagship initiative of the Government of India, intended to build a strong ecosystem that is conducive for the growth of start-up businesses, to drive sustainable economic growth and generate large scale employment opportunities. The Government through this initiative aims to empower start-ups to grow through innovation and design.

Several programs have been undertaken since the launch of the initiative on 16th of January, 2016 by Hon'ble Prime Minister, to contribute to his vision of transforming India into a country of job creators instead of job seekers. These programs have catalysed the start-up culture, with start-ups getting recognized through the Start-up India initiative and many entrepreneurs availing the benefits of starting their own business in India.

The 19-Point Start-up India Action Plan envisages several incubation centres, easier patent filing, tax exemptions, ease of setting-up of business, a INR 10,000 Crore corpus fund, and a faster exit mechanism, among others.

India has been very active in creating a healthy start-up ecosystem, and the growth in the number of start-ups is increasing year on year. In fact, it is among the top five start-up communities in the world.

Seventy-two percent of the founders are less than 35 years old, which makes it an unprecedented pool of younger people. Even with the young entrepreneurs, India ranks in the top five nations solving social issues with innovative solutions.

Hence, looking at the external environment of the start-ups there have been a considerable number of pros than cons.

The huge growth of incubators and accelerators: India has the 3rd highest number of starters and incubators in the world, after China and the US. The number of start-ups and incubators grew by 40 percent in 2016-17. Of these, 30 academic incubators were established under the government's 'Start-up India, Stand-up India' initiative.

The emergence of Tier-II and Tier-III cities: While metro cities like Bengaluru, Delhi NCR, Pune and Mumbai continue to lead the start-up juggernaut, Tier-II cities too have not been far behind, thanks to availability of talent, State government initiatives, local investor confidence and infrastructure support. They are quickly becoming hubs of growth of key industries such as Logistics, Agri tech, Fintech and SaaS, giving access to more number of entrepreneurs, enabling micro-entrepreneurship in rural areas and leading to creation of morevalue.

Technology as a boon: As the innovations make customers lives easier, the advances in the technology (like artificial intelligence and machine learning, blockchain, storage and Computing as a Service and robotics) itself is making it easy for entrepreneurs to take a big leap in product development, leading to accelerated development cycles and better business opportunities to chase.

Increasing government support: The Indian government has floated at least50+ sector specific and sector agnostic schemes for start-ups, which include Single Point Registration Scheme (SPRS), Bank Credit Facilitation Scheme, scale-up support to establishing incubation centres, Pradhan Mantri Mudra

Yojana (PMMY) etc. They also recently amended the new General Financial rules, where the government will give priority to products from Indian start-ups in official procurement. Some of these initiatives are a great boost to the start-ups, speeding up things for them.

Employee attrition: A worrisome problem is attrition. Earlier, larger corporations were the ones fighting this problem, where good talent were leaving the firms to chase their dreams of becoming an entrepreneur or working for a dream start-up. But, now, the employability rating of the peopleworking in start-ups has been found to be best suited in certain areas of management jobs in larger companies, which also can afford higher paying salaries.

Bootstrapping for longer: Due to the drying up of funds because of unrealistic valuations and many me-too companies from last year, start-ups were forced to bootstrap for longer, which has pushed them to put their expansion plans either on hold or deferred. The first 6 months of 2017 witnessed a lesser number of deals in the Indian tech start-up ecosystem compared to previous two years. But is expected to be back on track of high investment rates (both interms of number of deals and size of the deal), which will help the start-ups come out of the impedances.

Impact of GST on start-ups and other tax liabilities: Many start-ups have received tax notices due to the change in valuations during the period between 2014 and 2015. They want to treat funding received over and above the fair market value of a start-up as its income and not capital. This has been forcing start-ups to pay more tax. Also, it is affirmative that GST has increased the ease of doing business and reduced the tax burden and logistics cost, but it has also raised other issues like input tax credit, reverse charge mechanism and is particularly harsh on certain sectors.

The Indian start-up ecosystem has been maturing with a lot of virtue, to be more strong and valuable. Though entrepreneurs are passing through a phase mixed with both benefits and impedances from the external environment, theyare producing unrivalled products and services for the market. This has been observed by the funds who will be keen to funds more start-ups in 2018. Continuing this way for another 3-4 years would definitely lead the Indian start-up ecosystem to the apex of global innovations on all fronts.

Public Private Partnership (PPP)

Public-private partnerships offer several benefits:

- They provide better infrastructure solutions than an initiative that is wholly public or wholly private. Each participant does what it does best.
- They result in faster project completions and reduced delays on infrastructure projects by including time-to-completion as a measure of performance and therefore of profit.
- A public-private partnership's return on investment or ROI, might be greater than projects with traditional, all-private or all-government fulfilment. Innovative design and financing approaches become available when the two entities work together.

- Risks are fully appraised early on to determine project feasibility. In this sense, the private partner can serve as a check against unrealistic government promises or expectations.
- The operational and project execution risks are transferred from the government to the private participant, which usually has more experience in cost containment.
- Public-private partnerships may include early completion bonuses that further increase efficiency. They can sometimes reduce change order costs as well.
- By increasing the efficiency of the government's investment, it allows government funds to be redirected to other important socioeconomic areas.

- The greater efficiency of P3s reduces government budgets and budget deficits.
- High-quality standards are better obtained and maintained throughout the life cycle of the project.
- Public-private partnerships that reduce costs potentially can lead to lower taxes.

Easy access to credit

Pradhan Mantri MUDRA Yojana (PMMY) is a scheme for providing loans up to 10 lakh to the non-corporate, non-farm small/micro enterprises. These loans are classified as MUDRA loans under PMMY. These loans are given by Commercial Banks, RRBs, Small Finance Banks, Cooperative Banks, MFIs and NBFCs. The borrower can approach any of the lending institutions mentioned above or can apply online through this portal. Under the aegis of PMMY, MUDRA has created three products namely 'Shishu', 'Kishore' and 'Tarun' to signify the stage of growth / development and funding needs of the beneficiary micro unit / entrepreneur and also provide a reference point for the next phase of graduation / growth. This will further lead to employment growth and ultimately the economic growth.

Infrastructure

Over the years, the speed of road construction had become the benchmark for India's infrastructure creation. Now, government has set in play a new integrated infrastructure programme, which involves building of roads, railways, waterways and airports.

The centre has also been trying to leverage roads, railways and waterways to bring India's logistics costs down to 8% to make the economy competitive. Since long, India has been grappling with high logistics costs of 14% (as a percentage of cost of the product), which make exports uncompetitive vis-à-vis those of China, where logistics costs add up to just about 8-10%.

With several large conglomerates and infrastructure companies weighed downby debt, the onus of creating infrastructure was on the centre.

Government did not lack ambition as was evident when the road construction target of 45km per day was set for the current financial year, from 27km achieved per day in 2017-18. The average rate of highway construction was also raised from 14km per day, with the pace of land acquisition improving.

In the process, the government has revived the highway sector, which was reeling under stress and lack of private investment. The road ministry took araft of measures, including terminating projects, de-risking them and introducing the hybrid annuity model (HAM), wherein the government provides 40% of the project cost to the developer to start work, while the remaining investment has to be made by the developer.

Analysts are, in fact, enthused by the work done. “Ordering and construction of National Highways has increased to all-time highs of 17,055 km and 9,829 km, respectively, in FY18," Bank of America Merrill Lynch wrote in a 20 April report. “Funding is not an issue in the near-term; and the pace and process ofland acquisition has improved."

Given the need for resources to boost its ambitious infrastructure programme, the government is also exploring an independent financial institution to cater exclusively to the roads and highways sector. The roads ministry also introduced an asset monetization model in India, referred to as the toll operate transfer (ToT), which is now expected to provide a template for other infrastructure sectors.

The government has also set ambitious plans, such as the Sagarmala (ports) and Bharatmala (roads), to improve its transport infrastructure. While the total investment for the Bharatmala project was pegged at Rs10 trillion—the largest ever outlay for a government road construction scheme—the country has envisaged Rs8 trillion of investment until 2035 under the Sagarmala programme.

The civil aviation policymakers have also taken several steps to boost airport capacity and improve regional connectivity to meet the rising demand for air travel. It also planning to ease rules on cancelling air tickets.

This, at a time, when India’s civil aviation market is growing at 19% over the last four years, and projected to be the third largest in the world by 2025, after the US and China.

To put the required physical infrastructure in place, the Airports Authority of India has set a capital spending target of over Rs20,000 crore till FY22.

Over 70 un-served or under-served regional airports are being developed under the regional connectivity scheme with various concessions to airlines. This, along with a project to step up capacity under the NextGen Airports for Bharat (NABH) Nirman, is expected to help increase the number of air passengers from 265 million in 2017 to about one billion in 10-15 years.

Skill Development

Skills and knowledge are the driving forces of economic growth and social development for any country. India is blessed with 65% percent of its youth in the working age group. As per the National Policy for Skill Development and Entrepreneurship 2015, it is estimated that the average age of the population in India by 2020 will be 29 years as against 40 years in USA, 46 years in Europe and 47 years in Japan. In next 20 years, the labour force in the industrialized world is expected to decline by 4%, while in India it will increase by 32% which creates a need and opportunity to provide its workforce with required skill setsand knowledge to enable them to contribute substantially to the economic growth of India.

The skill ecosystem in India is undergoing major reforms and policy interventions as India embarks on its journey to become a Knowledge Economy. The skill gap study by the National Skill Development Corporation (NSDC) for the period of 2010-2014 reports that over 109.73 million additional skilled manpower will be required by 2022 across different sectors.

In the last two years, the government has taken a host of initiatives to channelize the efforts and provide impetus to the Skill Development ecosystem. Department of Industrial Policy and Promotion

To steer and coordinate the current skilling initiatives with quality deliverables, the Ministry of Skill Development and Entrepreneurship (MSDE) was created inNovember 2014 to drive the 'Skill India' agenda in mission mode.

Key interventions taken up by the government during the last two years have resulted in the number of trained Indians growing by 36.8% from 0.76 crores in FY 2014-15 to 1.04 crores in FY 2015-16. These trainings were done through Central Government Programs and NSDC associated training partners in the private sector.

Creation of NITI Aayog

The National Institution for Transforming India, also called NITI Aayog, was formed via a resolution of the Union Cabinet on January 1, 2015. NITI Aayog isthe premier policy 'Think Tank' of the Government of India, providing both directional and policy inputs. While designing strategic and long term policies and programmes for the Government of India, NITI Aayog also provides relevant technical advice to the Centre and States.

The Government of India, in keeping with its reform agenda, constituted the NITI Aayog to replace the Planning Commission instituted in 1950. This was done in order to better serve the needs and aspirations of the people of India.An important evolutionary change from the past, NITI Aayog acts as the quintessential platform of the Government of India to bring States to act together in national interest, and thereby fosters Cooperative Federalism.

At the core of NITI Aayog's creation are two hubs – **Team India Hub** and the **Knowledge and Innovation Hub**. The Team India Hub leads the engagement ofstates with the Central government, while the Knowledge and Innovation Hub builds NITI's think-tank capabilities. These hubs reflect the two key tasks of theAayog.

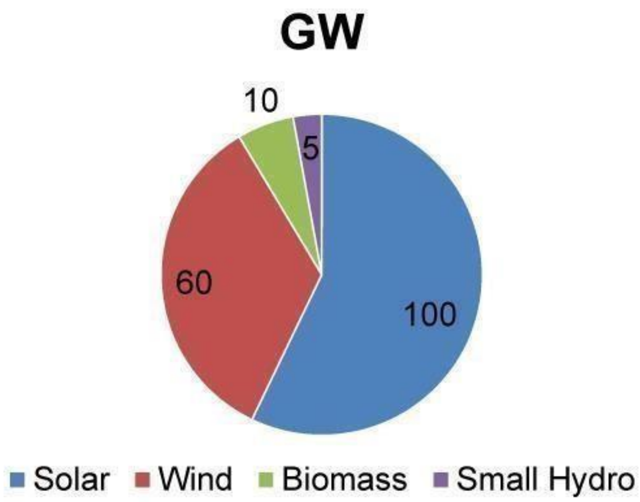
NITI Aayog is also developing itself as a State-of-the-Art Resource Centre, with the necessary resources, knowledge and skills, that will enable it to act with speed, promote research and innovation, provide strategic policy vision for the government, and deal with contingent issues.

Jan-Dhan-Aadhaar-Mobile (JAM) Trinity

The JAM trinity stands for Jan-Dhan Yojana, Aadhaar, Mobile number trio as the identification modes to transfer various benefits to the lower sections of the society. The JAM trinity helps the government to avoid leakages and intermediaries in supplies as the Aadhaar helps to directly identify biometrically the under privileged citizen coupled with the Jan Dhan bank accounts and mobile numbers carries the funds to its deserved beneficiary. To facilitate the JAM various measures have been adopted like opening of bank accounts around 196 million along with the issuing of 167 million Rupay cards. By the end of the year 2015 nearly a billion citizens possess the Aadhaar card. Thus the Aadhaar card literally becomes the mettle for the Direct Benefit Transfer system. The JAM trinity however would increase the prices for goods for the average consumer as the prices would not be subsidised. Despite this increase in prices, it would eventually lower the burden on the tax payer as leakages would be plugged for the government. This would in turn reduce the fiscal deficit for our country and thereby improve India’s credit rating.

Promotion of renewable energy

The Government has revised its target of renewable energy capacity to 175 GW by end of 2022, making it the largest expansion in the world and providing plenty of opportunities for investors. The target capacity is as shown below:



The UN Environment Program’s (UNEP) ‘Global Trends in Renewable Energy Investment 2016’ report ranks India among the top ten countries in the world investing in renewable energy. The Government is also committed to Clean Energy and is driving efforts to achieve 40% power installed capacity from non-fossil-fuel-based energy resources and reducing emissions by 33- 35% of its GDP by 2030.

The New & Renewable Energy sector has witnessed the highest ever-solar power and wind power capacity addition over the last two years since April 2014.

Department of Industrial Policy and Promotion Key achievements in the sector during the last 2 years are:

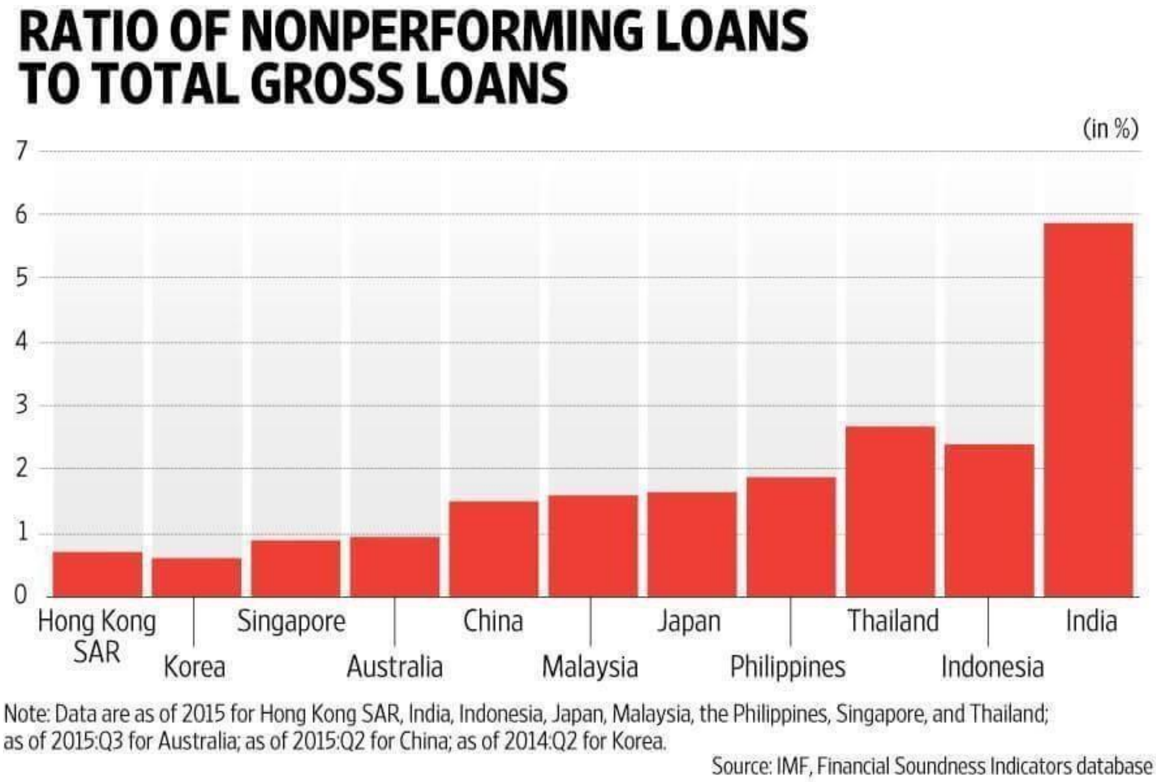
- The world's largest 648-MW solar power plant was commissioned in Tamil Nadu on September 21, 2016.
- A 157% increase in solar power capacity addition (4132 MW) during the last two years (FY2014-15 & FY 2015-16).
- Highest ever wind power capacity addition of 3300 MW in 2015-16.
- 34 solar parks of aggregate capacity of 20,000 MW have been sanctioned for 21 states. INR 356.63 crores has been released to Solar Energy Corporation of India for the projects.
- 31,472 solar water pumps were installed in 2015-16; this is higher than total number of pumps installed during the last 24 years since 1991.
- 501 MW grid connected solar rooftop projects have been installed in the country.

Challenges which the government facing are:

NPA’s in Public Sector Banks (PSB’s)

Non-Performing Assets has become a very serious issue in recent years. Explained below:

- More than Rs. 7 lakh crore worth loans are classified as Non-Performing Loans in India. This is a huge amount.
- The figure roughly translates to near 10% of all loans given.
- This means that about 10% of loans are never paid back, resulting in substantial loss of money to the banks.
- When restructured and unrecognised assets are added the total stress would be 15-20% of total loans.
- NPA crisis in India is set to worsen.
- Restructuring norms are being misused.
- This bad performance is not a good sign and can result in crashing of banks as happened in the sub-prime crisis of 2008 in the United States of America.
- Also, the NPA problem in India is worst when comparing other emerging economies in BRICS.



Reasons:

- Diversification of funds to unrelated business/fraud.
- Lapses due to diligence.
- Busines losses due to changes in business/regulatory environment.
- Lack of morale, particularly after government schemes which had written off loans.
- Global, regional or national financial crisis which results in erosion ofmargins and profits of companies, therefore, stressing their balance sheet which finally results into non-servicing of interest and loan payments. (For example, the 2008 global financial crisis).
- The general slowdown of entire economy for example after 2011 there was a slowdown in the Indian economy which resulted in the faster growth of NPAs.
- The slowdown in a specific industrial segment**,** therefore, companies in that area bear the heat and some may become NPAs.
- Unplanned expansion of corporate houses during the boom period and loan taken at low rates later being serviced at high rates, therefore, resulting in NPAs.
- Due to mal-administration by the corporates, for example, wilful defaulters.

- Due to mis governance and policy paralysis which hampers the timeline and speed of projects, therefore, loans become NPAs. For example the Infrastructure Sector.
- Severe competition in any particular market segment. For example the Telecom sector in India.
- Delay in land acquisition due to social, political, cultural and environmental reasons.
- A bad lending practice which is a non-transparent way of giving loans.
- Due to natural reasons such as floods, droughts, disease outbreak, earthquakes, tsunami etc.
- Cheap import due to dumping leads to business loss of domestic companies. For example the Steel sector in India.

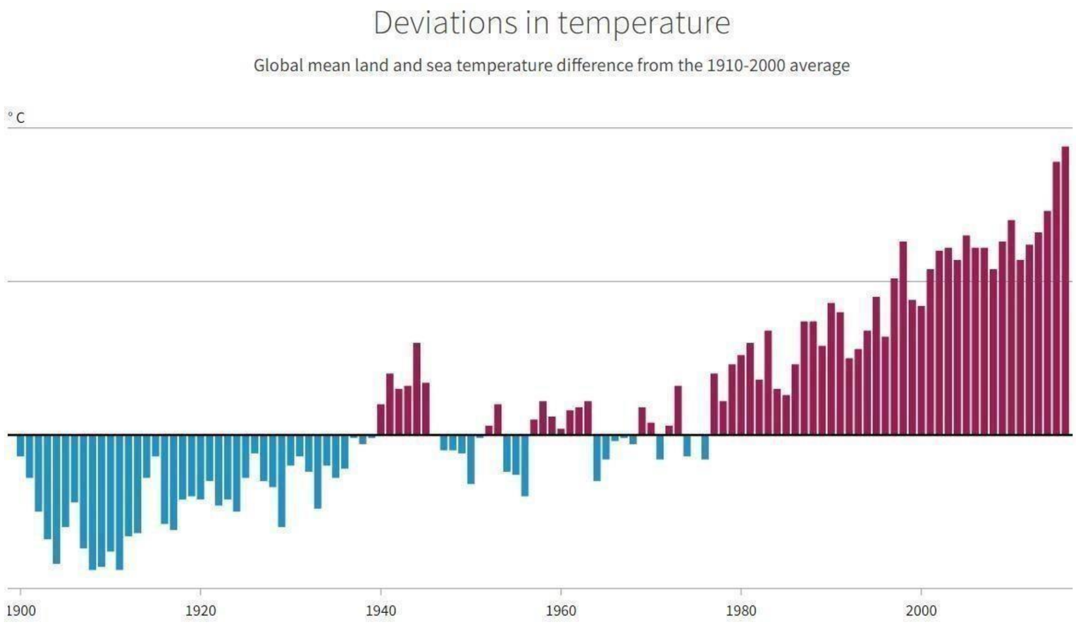
Impact:

- Lenders suffer a lowering of profit margins.
- Stress in banking sector causes less money available to fund other projects, therefore, negative impact on the larger national economy.
- Higher interest rates by the banks to maintain the profit margin.
- Redirecting funds from the good projects to the bad ones.
- As investments got stuck, it may result in it may result in unemployment.
- In the case of public sector banks, the bad health of banks means a bad return for a shareholder which means that the government of India gets less money as a dividend. Therefore it may impact easy deployment of money for social and infrastructure development and results in social and political cost**.**
- Investors do not get rightful returns.
- Balance sheet syndrome of Indian characteristics that is both the banks and the corporate sector have stressed balance sheet and causes haltingof the investment-led development process.
- NPAs related cases add more pressure to already pending cases with the judiciary.

A few years back government made Insolvency and Bankruptcy Code Act2016 which became a big step in resolving NPA issues.

Resources, Environment & Climate change

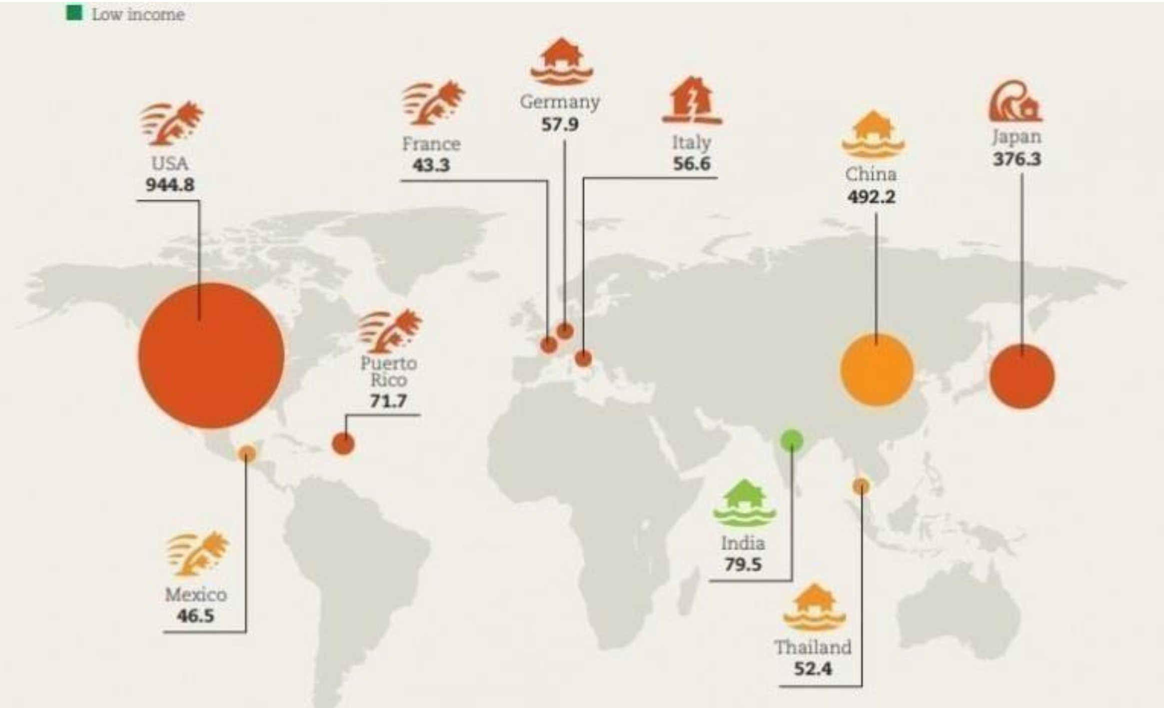
The 1991 reforms agenda did not include concerns about natural resources and environment. The situation has changed substantially since, and it is increasingly being realised that the core developmental activity is contingent upon the resources and the ecosystem services provided by nature. Yet, often, conservation and environmental priorities are still viewed as “anti-development”. However, the expansion of knowledge and scientific understanding at the interface of nature, economy, and society since the 1980s and ‘90s started changing this perception in the developed world. The extensive development of science in this domain also led to the understanding of the bidirectional causality between ecosystem and the economy. Following the Club of Rome’s prediction of “apocalypse” in their *The Limits to Growth* thesis, the human response to the “approaching doomsday” has been characterised by extensive research, gradual knowledge accrual through global assessments, and conventions. The Earth Summit of 1992 adopted the Brundtland Commission Report’s definition of “sustainable development”, and opened the Convention of Biological Diversity (CBD) for signature. The millennium development goals (MDGs), eventually succeeded by the sustainable development goals (SDGs) inherently acknowledged the important role of ecosystem and urged humanity to take “take urgent action to combat climate change and its impacts”. It has become even more imperative to take urgent actions after the COP at Paris in 2015. As far as setting the Agenda 2.0 is concerned, therefore, environment and natural resources are important, as well as the actions on global climate change.



India is one of the most vulnerable country to climate change. Briefly summarising the existing literature on the causes and the characteristics of expected climate changes in India over the coming years, this paper discusses the ways in which these changes might affect the lives of the poor. Rising temperatures, changes in rainfall patterns, and an increased frequency of floods and droughts are likely to have serious effects on rural populations in the absence of policies that actively help these households adjust to their changing geography. Survey data from villages affected by the Kosi flood of 2008 is used to speculate on how households and governments are likely to respond to unexpected weather events. The flood in Bihar rendered much of the land in the area uncultivable and resulted in large-scale unemployment.
The state, while effective in providing immediate relief to flood victims, has done little to help the rural population adapt to their changed geography.

Disasters

India has suffered economic losses of $79.5 billion due to natural disasters during the last two decades, according to the United Nations (UN).



Major natural disasters can and do have severe negative short-run economic impacts. Disasters also appear to have adverse longer-term consequences for economic growth, development and poverty reduction. But, negative impacts are not inevitable. Vulnerability is shifting quickly, especially in countries experiencing economic transformation - rapid growth, urbanization and related technical and social changes.

In the Caribbean and Bangladesh there is evidence of both declining sensitivity to tropical storms and floods and increased resilience resulting from both economic transformation and public actions for disaster reduction. The largest concentration of high risk countries, increasingly vulnerable to climatic hazards, is in Sub-Saharan Africa. Risks emanating from geophysical hazards need to be better recognized in highly exposed urban areas across the world because their potential costs are rising exponentially with economic development.

Natural disasters cause significant budgetary pressures, with both narrowly fiscal short-term impacts and wider long-term development implications. Reallocation is the primary fiscal response to disaster. Disasters have little impact on trends in total aid flows.

Parallel Economy

Black money is the income illegally obtained or not declared for tax purposes, Black money is a socioeconomic evil. The existence of rapidly growing black money in our economy has grave and disastrous consequences. The major effects of black money are discussed below:

1. Dual Economy- The increase in the amount of black money in India over aperiod of time lead to the perpetual growth of economic dualism which consists of Parallel economy (black money economy) operating side by side with the Official or Reported economy on the country.

The black economy represents not less than one fifth of the aggregate economic transactions. There is also interaction between the reported and unreported activities such that it is difficult to identify black money from the white money economy. Such a Parallel Economy will ruin the entire economicdevelopment of the country.

2. Under-estimation- A large underground economy and growth of black income lead to under-estimation of the true size and incorrect picture of the economy by the officially complied national income data.

Since unreported economy is apparently excluded from the official records of the Gross National Product, the estimates of savings and consumption of nations to the national income and measurement of other macroeconomic variables would be biased and misleading for accurate policy making and planning considerations.

3. Loss of Revenue to the Government- Black money is largely attributed to tax evasion. Its direct impact is the loss of the Government revenue. Since the Government fails to get sufficient tax revenue due to large-scale tax evasion, it is forced to resort to high taxation and deficit financing which again carry their ill-economic effects.

4. Undermining the Equity- When the Government resorts to progressive direct taxation to maintain equity in the distribution of the tax burden, the tax evasion and growth of black money affect the very concept of social justice by not allowing the desirable reduction in inequalities of incomes. Again, when underground activities like smuggling etc. could not be taxed, the Government will impose higher taxes on officially sanctioned activities.

Further, the tax evasion will also equally enjoy the public services without paying the due contribution; to that extent also social enquiry is undermined. The honest have to bear high tax burden to make up for the deficit in revenue caused by the tax evasion of black money makers.

5. Widening the Gap between the Rich and the Poor- Growth of the black economy causes regressive distribution of income in the society. When the black money grows faster, rich becomes richer and the poor become poorer. By way of concentration of income and wealth in few hands, the black money widens the gap between the rich and the poor.

6. Lavish Consumption Spending- Black money is disposed off by lavish spending on travels and tours, entertainment, ostentatious articles, financingof extravagant elections etc. This has also lead to many social evils and deteriorated the values of life of the common people.

7. Distortion of Production Pattern- The black money has altered the choice coefficients in the market in favour of luxuries, which lead to the diversification of productive resources from essential goods to the non-essential goods.

8. Distribution of Scarce Resources- Black money holders are always in a position to put their prior claim over the scarce goods in the market due to their readiness and ability to pay more, thereby depriving the honest and poorpeople from their legitimate share. This obviously reduces the net economic welfare of the Indian society at large.

9. Deteriorate the General Moral Standards of the Society- Black money is largely responsible for the deterioration of general moral standards of the society. Black income generation implies a deviation from the accepted norms in society and from the point of view of the society is unethical.

Socially, we can say that the structure and ethos of a society undergoes a massive change. Social values of honesty, hard work, thrift and simplicity get eroded. Even the political institutions and organizations lose their credibility asthey also gradually become a part of the entire system of black income generation.

10. Average Effect on Production- As a consequence, the consumption pattern is titled in favour of the rich and elite, at the cost of encouraging production of articles of mass consumption. A rise in overall consumption leaves fewer resources for investment in priority areas, having an adverse effect on production.

Fiscal Deficit

Fiscal deficit is the difference between the government's expenditures and its revenues (excluding the money it's borrowed). A country's fiscal deficit is usually communicated as a percentage of its gross domestic product (GDP).

Considering that the Indian economy is growing between 7 to 7.5 percent in recent years, fiscal deficit is definitely a challenge to the economy. According to the World Bank, growth in India is projected to rise to 7.3 percent and 7.5 percent in FY2019 and FY2020, respectively.

Causes of fiscal deficit:
Government spending, inflation and lower revenue are among some of the main factors that point to fiscal deficit. The cynical nature of fiscal deficit does

not only jeopardize the growth of the country but also the government's economic management abilities.

In an ideal financial system, which has a balanced fiscal deficit, the cost of expenditure is low while production and growth is advancing. But when there is an increase in fiscal deficit it means that the government is spending too much while it is earning less. Hence, it is important that the government keeps its expenses under control.

One way the government earns money, is through taxes. For example, if the government lowered taxes or provided tax concessions to a particular group of people, then it would earn less, leading to an increase in fiscal deficit. And that's one of the reasons why you will find the government giving a face-lift to the tax structures. In the same context, cutting of custom duty and excise duty will lead to declining revenues.

Like India, many developing countries are making an effort to resolve big fiscal deficits. On the bright side, for India, among other sources of revenue, foreign investments and inflow of remittance s from Indians living overseas has helped avoid very high deficits.

Fiscal deficit does not come about only in case of creating less revenue and spending more money. Another major reason for a growing fiscal deficit can be slow economic growth or sluggish economic activities.

Tax-GDP Ratio

India needs to increase its tax-GDP ratio, and spend more on health and education, the Economic Survey 2018.

The country's tax to GDP ratio is around 16 per cent and is well below the emerging market economy (EME) and OECD averages of about 21 per cent and 34 per cent, respectively.

"India's overall tax to GDP is about 5.4 percentage points, less than that of comparable countries. India spends on an average about 3.4 percentage points less vis-a-vis comparable countries on health and education," as per the report tabled by Finance Minister Arun Jaitley in Parliament today.

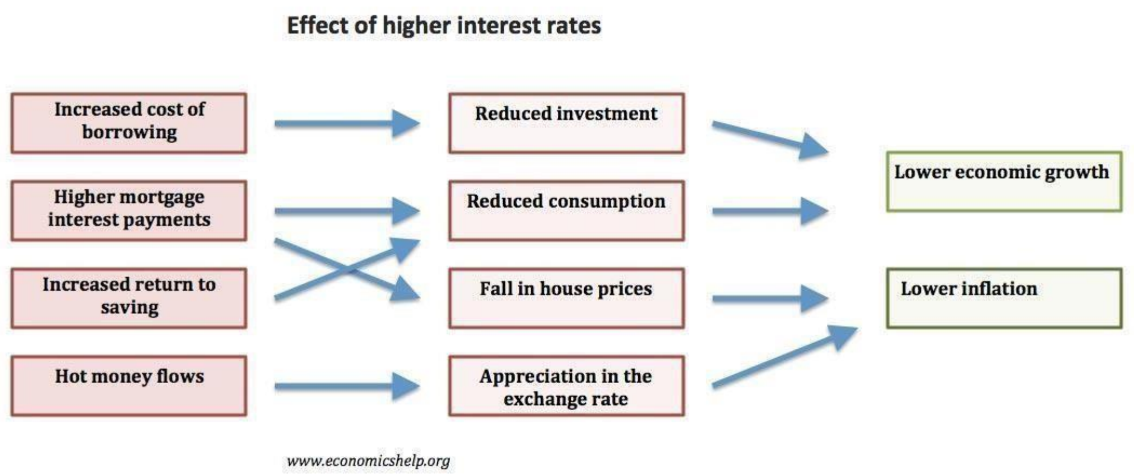
Pointing out that in India, roughly 5.5 per cent of earning individuals are in the tax net, Jaitley said the pre-Budget statistic gives an idea of the gap that the country needs to cover to become a full tax-paying democracy.

Taxes and expenditures should be viewed not just from a fiscal but also from an institutional perspective, it added.

For that reason, the survey noted that the implementation of the Goods and Services Tax (GST), while highly desirable and necessary, will have limited impact in furthering the broader objective of citizen participation, state building and democratic accountability.

Higher Interest Rates

The Central Bank usually increase interest rates when inflation is predicted to rise above their inflation target. Higher interest rates tend to moderate economic growth. They increase the cost of borrowing, reduce disposable income and therefore limit the growth in consumer spending. Higher interest rates tend to reduce the rate of economic growth and inflationary pressures.



Higher interest rates have various economic effects:

1. **Increases the cost of borrowing-** With higher interest rates, interest payments on credit cards and loans are more expensive. Therefore this discourages people from borrowing and spending. People who already have loans will have less disposable income because they spend more on interest payments. Therefore other areas of consumption will fall.

2. **Increase in mortgage interest payments-** Related to the first point is the fact that interest payments on variable mortgages will increase. This will have a significant impact on consumer spending.

3. **Increased incentive to save rather than spend-** Higher interest ratesmake it more attractive to save in a deposit account because of the interest gained.

4. **Higher interest rates increase the value of a currency**- due to hot money flows, Investors are more likely to save in British banks if UK ratesare higher than other countries. A stronger Pound makes UK exports lesscompetitive – reducing exports and increasing imports. This has the effect of reducing aggregate demand in the economy.

5. **Rising interest rates affect both consumers and firms**- Therefore theeconomy is likely to experience falls in consumption and investment.

6. **Government debt interest payments increase-** Higher interest rates increase the cost of government interest payments. This could lead to higher taxes in the future.

7. **Reduced confidence**- Interest rates affect consumer and business confidence. A rise in interest rates discourages investment; it makes

firms and consumers less willing to take out risky investments and purchases.

Corruption

Almost all Developing nations have the problem of corruption and the main reason behind this, is the feeling of insecurity among individuals as developing nations does not able to provide all its citizen with social security and all basic facilities like standard primary education, health facilities etc. People does not have faith in government policies for their secured future so that want to earn as much as possible through any means which include corruption to ensure a better future for themselves as well as their children. Power goes into the hand of wrong people with criminal backgrounds, with no education and moralvalues specially in developing nations like India because voters are easily manipulated in the name of religion, caste and regionalism further Deteriorating the situation.

Unequal distribution of wealth is a result of corruption which if not controlled, results into the downfall of the nation.

Effects of corruption on Economy:

1. **Decrease in foreign investment**: There are many incident where in foreign investments which were willing to come to India have gone back owing to heavy corruption in the government bodies.

2. **Delay in growth**: Due to desire to mint money and other unlawful benefits, the official who need to pass the clearances for projects or industries delay the process. A work which can be done in a few days gets done in several months time. This leads to delay in investments, starting of industries and also growth. Even if started, company growth hinders as every work linked to officials get delayed due to need to provide bribes or other benefits

3. **Lack of development:** Many new industries wiling to get started in particular region change their plans if the region is unsuitable. If there are no proper roads, water and electricity, the companies do not wish to start up there. This hinders the economic progress of that region.

4. **Differences in trade ratio's:** Some countries have inefficient standard control institutes. Or in other word these standard control institutes are corrupt that they can approve low quality products for sale in their country. Hence you can see countries manufacturing cheap products dump them in big markets. These countries can manufacture cheap quality products but cannot dump in countries with strict standard control institutes. They can do so only in countries with chances of corrupt officials in standard control. One best example is China productswhich can't be just dumped into Europe and US markets. But can be done in Indian and African markets. So there arises trade deficit that these countries cannot manufacture their own products at cheaper pricethan those exporting to them. So if corruption is minimized than these countries will have less trade deficits in-terms of exports and imports with other countries and their economies can prosper.

Land Acquisition

In land acquisition in India the major problem is insufficient compensation paid by govt. As per land acquisition act 2013 govt. Pay market price multiplied by factor then 100% solatium(extra). But still it is not equal to actual market price of that land. Because govt. Determine market price as per old sale deeds or stamp value which is very less for example If somewhere market price of land is 6 lakh rupees but when sale transaction happens people shows it for registry that sale price is 1 lakh for reducing registry charges so govt is taking that 1 lakh rupees as market price. And factor most of case remains 1 so after getting 100% solatium farmers are able to get only 2 lakh rupees in place of 6 lakh.

The other problem is if you are living in your house and suddenly someone comes and says I want 1 floor of you are house or whole house in 1 lakh rupees While the market value of your house is 6 lakh rupees Then will u be ready to accept that offer even u know that this is the house that your father purchased for you by their lifetime savings.

So main problem is inadequate compensation plus emotional attachment with their livelihood.

Issues in Land Acquisition:

1. **Not just an asset:** In Indian villages, land is not just an asset or a factor ofproduction. It is in most cases, a source of livelihood. Acquiring land without arrangement of alternate livelihood often means a family does not have any source of income after the initial compensation money is over.

2. **Below market price acquisition:** Government land acquisition is usuallydone in prices below market standard. And even if market price is paid,it increases many times after the agricultural land is converted in industrial or other purposes. This can leave the former land holder aggrieved to have received a much lower price.

3. **Agriculturally Fertile Lands:** Most fertile lands have historically given birth to prosperous settlements which are well connected and have much better infrastructure. Incidentally, this is also the land that industry usually wants. Acquiring these agriculturally productive lands and converting them into non-agricultural uses have produced much resistance.

4. **Tribal Rehabilitation:** In India, mining resources are generally found in forested lands home to tribal population. For them, land and associated forests represents a way of life encompassing all aspects of existence. Even with perfect rehabilitation, tribal communities might end up feeling socially and culturally alienated.

5. **Environmental Concerns:** General purposes, for which land is acquired, often end up being more environmentally harmful than its previous use.This has raised concerns from environmentalists against land acquisitionon the grounds of ecological destabilization.

Logistics Sector

The backbone of the Indian economy is Logistics Sector, providing efficient andeffective flow of goods services on which another sector depends. The logistics industry in India is growing rapidly, it is the combination of infrastructure and technology updating, which defines whether the logistic industry is able to help its customers reduce their cost and risk in logistics sector and provide efficient services.

The logistics industry continues to witness growth due to the growth in retail, e-Commerce and manufacturing sectors. The Global Logistics sector was expected to grow 10-15% in the period 2019-20. The Logistics industry will beexpected to reach over $4 Bn by 2022.

Challenges Faced By Logistic Industry in India:

- The challenges faced by the industry today are the lack of integration in transport networks, information technology, and warehousing & distribution facilities.
- Rules and Regulations differ at different stages, are imposed by regional, national and local authorities.
- Trained manpower is necessary for both Third party logistics sector as well as the manufacturing and retailing sectors, which is very weak at a practical level, i.e., IT, driving and warehouse as well as at a higher strategic level.
- Logistics sector requires high manpower and lack of training institutions cause effective outputs
- Poor management and facilities are the reason for heavy loss, damage and deterioration of stock, mainly in the perishables sector. Proper refrigerated storage and containers and maintenance is must

Poverty & Unemployment

Unemployment and poverty are the two major challenges that are facing the world economy at present. Unemployment leads to financial crisis and reduces the overall purchasing capacity of a nation. This in turn results in poverty followed by increasing burden of debt. Now, poverty can be described in several ways. As per the World Bank definition, poverty implies a financial condition where people are unable to maintain the minimum standard of living.

Poverty can be of different types like absolute poverty and relative poverty. There may be many other classifications like urban poverty, rural poverty, primary poverty, secondary poverty and many more. Whatever be the type of poverty, the basic reason has always been lack of adequate income. Here comes the role of unemployment behind poverty. Lack of employment opportunities and the consequential income disparity bring about mass poverty in most of the developing and under developed economies of the world.

Lack of effective aggregate demand of labour is one of the principal reasons for unemployment. In the less developed economies, a substantial portion of the total workforce works as surplus labour. This problem is particularly prevalent in the agricultural sector. Due to excess labour, the marginal productivity of the workforce may be zero or even negative. This excess pool of labour is the first to become unemployed during the period of economic or social crisis.

When a capitalist economy undergoes some dynamic changes in its organizational structure, it results in structural unemployment. This type of unemployment may also emerge if the lack of aggregate demand continues fora substantially long period of time. In case of frictional unemployment, workers are temporarily unemployed. There may be cases of hidden unemployment where workers restrain themselves from working due to absence of appropriate facilities.

It is true that unemployment and poverty are mostly common in the less developed economies. However, due to the global economic recessions, the developed economies are also facing these challenges in the recent times. The US subprime crisis and its wide spread impacts have played a major role in worsening the situation.

In India, the problems of unemployment and poverty have always been major obstacles to economic development. Underemployment and unemployment have crippled the Indian economy from time to time. Even during the period ofgood harvest, the Indian farmers are not employed for the entire year.
Excessive population is another major problem as far as Indian economy is concerned. Regional disparity is also crucial in this context. A part of the urban workforce in India is subjected to sub-employment. Mass migration from rural to urban regions is adding to the problems of unemployment and poverty in India.

Low HDI (Human Resource Development)

Human development is very important in terms of living conditions in different countries. The statement "any society committed to improving the lives of its people must also be committed to full and equal rights for all" is true. The UN considers three factors to calculate human development in a country. These factors cover many aspects of a country, including social development in a country. Income, education, and healthy living are considered to be the most important factors in human development, which help to rid populations of poverty, and support human rights.

People in poverty are usually denied rights, which include civil, political, economic, social, and cultural rights. Human rights are directly related to human development. Discrimination against the poor is generally ignoring or denying their freedom of expression. Labour or communication rights, for example, may not be agreeable for the poor, which could mean unacceptable terms. Thus, the poor will become poorer, while the rich can thrive off of their cheap labour. This creates a larger gap in income distribution in a country. The larger the gap, the more unequal a country is. Without basic labour rights or freedoms, they may not be able to access social or economic rights. In addition to rights, a higher income generally means higher standards of living. This includes clean water and food, adequate shelter, good communications, and a method for transportation. A less developed country lacks these, while a higher developed country, with a higher human development index, essentiallycontains all of these. Second, education is another important factor in determining human development. Education determines the future of a country. Without good education, children cannot make the country progress and advance when they grow up. This would be the reversal of human development.

India at 130 out of 189 countries in the latest human development rankings 2018 by the United Nations Development Programme (UNDP). India’s HDI value for 2017 is 0.640, which put the country in the medium human development category. Between 1990 and 2017, India’s HDI value increased from 0.427 to 0.640, an increase of nearly 50 percent – and an indicator of the country’s remarkable achievement in lifting millions of people out of poverty.

Movements in the HDI are driven by changes in health, education and income. Health has improved considerably as shown by life expectancy at birth, which has increased by almost seven years globally, with Sub-Saharan Africa and South Asia showing the greatest progress, each experiencing increases of about 11 years since 1990. And, today’s school-age children can expect to be inschool for 3.4 years longer than those in 1990.

Between 1990 and 2017, India’s life expectancy at birth too increased by nearly 11 years, with even more significant gains in expected years of schooling. Today’s Indian school-age children can expect to stay in school for 4.7 years longer than in 1990. Whereas, India’s GNI per capita increased by a staggering 266.6 percent between 1990 and 2017.

Economic Inequalities

Economic inequalities are most obviously shown by people’s different positions within the economic distribution - income, pay, wealth. However, people’s economic positions are also related to other characteristics, such as whether or not they have a disability, their ethnic background, or whether theyare a man or a woman. While the Equality Trust recognises the importance of these measures, the focus of our work is specifically the gap between the well-off and the less well-off in the overall economic distribution. This is reflected inthe choice of terms and statistics in this section.

There are three main types of economic inequality:

1. **Income Inequality-** Income inequality is the extent to which income is distributed unevenly in a group of people. Income is not just the money received through pay, but all the money received from employment (wages, salaries, bonuses etc.), investments, such as interest on savings accounts and dividends from shares of stock, savings, state benefits, pensions (state, personal, company) and rent.

Measurement of income can be on an individual or household basis – the incomes of all the people sharing a particular household. Household income before tax that includes money received from the social security system is known as gross income. Household income including all taxes and benefits is known as net income.

2. **Pay Inequality-** A person's pay is different to their income. Pay refers topayment from employment only. This can be on an hourly, monthly or annual basis, is typically paid weekly or monthly and may also include bonuses. Pay inequality therefore describes the difference between people's pay and this may be within one company or across all pay received in the UK.

3. **Wealth Inequality-** Wealth refers to the total amount of assets of an individual or household. This may include financial assets, such as bonds and stocks, property and private pension rights. Wealth inequality therefore refers to the unequal distribution of assets in a group of people.

According to a recent report by OXFAM- India's top 1% of the population now holds 73% of the wealth while 67 crore citizens, comprising the country's poorest half, saw their wealth rise by just 1%.

INDIAN ECONOMY DURING AND POST-COVID

The GDP growth had crashed 23.9% in response to the centre's no notice lockdown. India's GDP shrank 7.3% in 2020-21. This was the worst performance of the Indian economy in any year since independence. As of now, India's GDP growth rate is likely to be below 10 per cent. India's fiscal deficit for 2020-21 zoomed to 9.5% of GDP as against 3.5% projected earlier.

The extent to which localised lockdowns and restrictions have been imposed in the past have impacted the economic recovery timeliness. There is a scope for sustained fiscal stimulus going throughout the year. To some extent, if credit is made available to businesses at low-interest rates, then monetary stimulus is also possible. The second wave has pushed back India's fragile economic recovery. Rising inequality and strained household balance sheets have constrained the recovery. From growing only 4% in 2019-20 to contracting 7-8% in 2020-21 to staring at another low economic growth recovery in 2021, India has been virtually stopped in all its tracks. Therefore, fiscal policy must lend a generous helping hand to lead vulnerable businesses and households towards economic recovery.

Despite the economic devastation caused by the virus, India's agile response has been commendable, especially as the country rallied to manage a deadly second wave of the virus early in 2021. India was the first country to feel the impact of the virulent Delta variant but quickly swung into action to ensure that as many people as possible were vaccinated. One billion doses of the vaccine have already been administered.

In addition to protecting its own population, India has also acted in the world's best interest by providing medical supplies and equipment to more than 150 countries across the globe and placing a critical supply of the COVID-19 vaccine on the world market. Indeed, the pandemic is an inflection point for India to introspect on its potential as a global leader, especially coming at a time when the country is celebrating 75 years of independence.

For years, India has supplied crucial drugs and medications to the global market, more recently investing in the supply of the COVID-19 vaccine to ensure equitable access around the world.

Reforms by Indian Govt Post-Covid

1) Universal PDS for a year- Expenditure on food, as percentage of total household consumption, was 33.2 percent in rural areas and 22.4 percent in urban areas in 2017-18. The first fiscal intervention should be in making food available to as many as possible. That can free substantial amounts of purchasing power for other kind of consumptions.

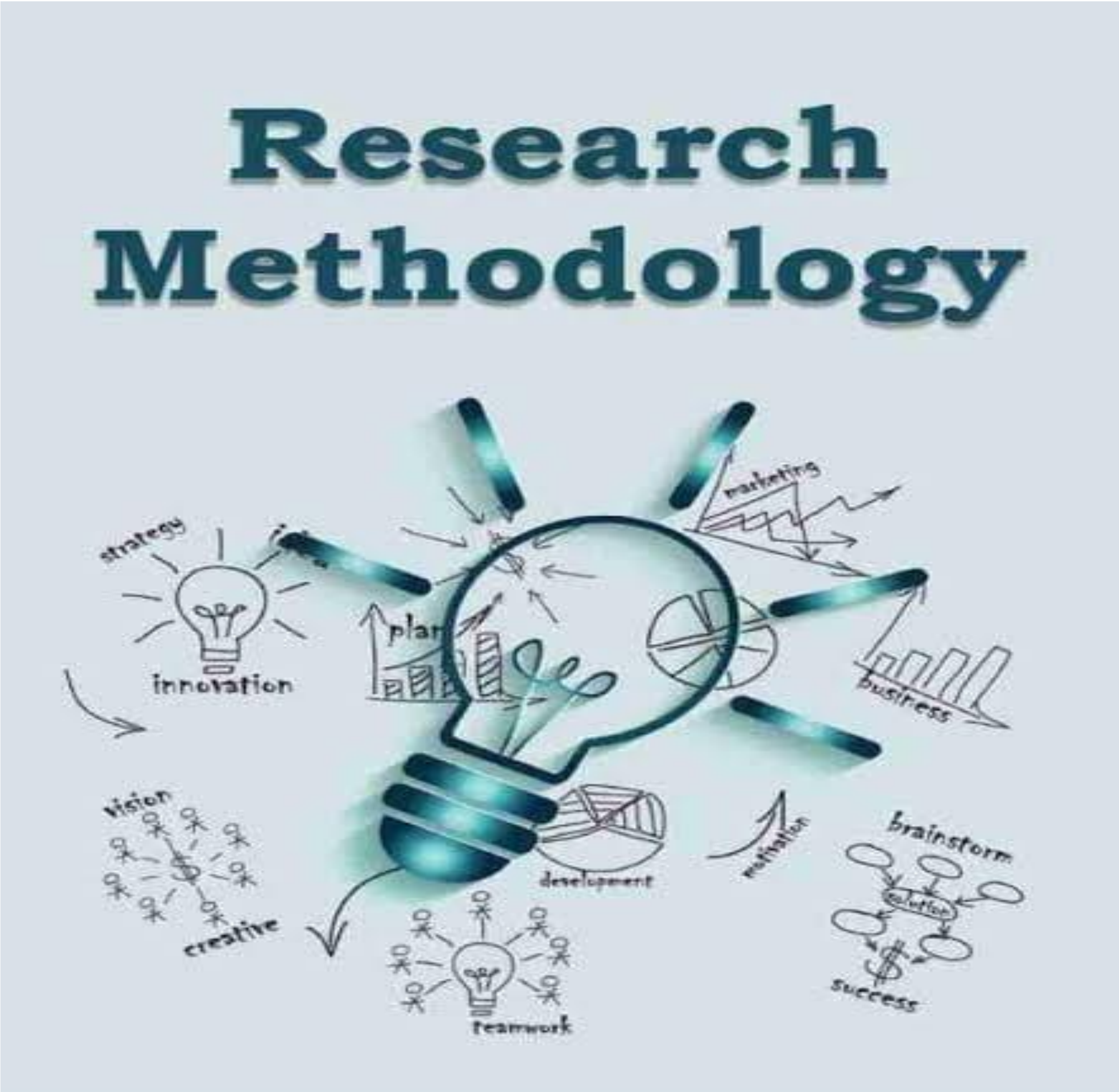
With inequalities remaining large within the structure of Indian economy, this pandemic can be an opportunity for redistributive measures – as argued by Amartya Sen. Universalising the public distribution system (PDS) would be a good starting point.

2) Expanding employment guarantee to urban areas- After the migrant workers' crisis during the lockdown, the focus has shifted to reverse migration. There are already reports of workers returning from their homes, where they could not find gainful employment. Incidentally, MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) has already been used by more than 86 million people in the first half of 2020-21. This is the highest-ever utilisation of the scheme since its launch in 2006.
3) Direct cash transfer to affected populations- The government's March relief package of INR 1.7 lakh crore consisted of direct benefit transfer (DBT) to 80 crore population in various categories under Pradhan Mantri Garib Kalyan Yojana (PMGKY). However, out of this amount, INR 73,000 crore was the incremental amount, and the rest was already budgeted earlier in the year. SBI Ecowrap report estimated the total income loss of India's 37.3 crore workers (self-employed, casual and regular) during the lockdown at around INR 4 lakh crore. The amount earmarked for DBT is inadequate. Moreover, some estimates put the reach of relief measures at around one-third of the country's total migrant workers.
4) Input tax relief to producers in selected sectors- Reducing or abolishing input taxes for some time (say, initially for a year) can be a starting point. It is quite comprehensible that the government is in no position to provide input subsidies to all sectors. The process may start with the top five manufacturing in terms of weightage – metals, oil, chemicals, processed food and automobile. Pharma can be, for the time being, kept out of this scheme. Once some of the initial beneficiary sectors revive themselves, those can be taken out and replaced by others – machinery & equipment, textiles, electrical equipment being the prominent among those.
5) Public investment in physical and social infrastructure- Infrastructure has also been a key issue in the inability to attract sizeable amount of foreign direct investment. This crisis time may have created an opportunity to bridge that long-standing gap. Aggressive public investment on infrastructure for a year or two can help the efforts to revive the economy. The central government recognised this even before the pandemic when it unveiled the $1.5 trillion National Infrastructure Pipeline, based on Infrastructure Vision 2025, in December 2019. Strengthening and augmenting health infra, urban planning, roads, rural infra and digital infrastructure are going to be the key drivers even in the long run

6) Suspend FRBM for 2 years- estimates show that India has already breached the fiscal deficit target in 2019-20. It is currently estimated at 4.6 percent of GDP, well above the mandated target of 3.8 percent of GDP. Therefore, it does not make economic sense not to undertake a stimulus programme because of FRBM. Currently the growth concerns clearly outweigh worries about future macro stability risks. Suspending FRBM for two years should be the initial step to finance any fiscal revival attempt.

CHAPTER 2

RESEARCH METHODOLOGY



RESEARCH METHODOLOGY

Research Design:

'Exploratory' and 'Descriptive' both research designs used in this report.

Study Area:

The study is limited to research and analysis of Indian economy. Necessary data of different foreign institutions (IMF,World Bank,UNO), news updates from newspapers, magazines and regular published editorials from various writers analysed.

Data Collection:

Secondary data collection is used. Data taken from Journals, Articles, Newspapers, Magazines, Websites, Official sources of government and international institutions etc.

Analytical Tools:

Authentic sources or websites used to confirm data of various financial institutions & of government of India. Latest facts and data are included as per availability.

➢ OBJECTIVES

- To identify the issues associated with Indian economy
- To describe the recent actions taken by Indian government towards economic reforms
- To analyse the effects on Indian economy due to these reforms
- To study the changed perception of foreign Investors towards Indian market
- To identify the economic situation during Covid and in the post-covid era and steps taken by govt to address the challenges
- To identify further measures that can be adopted to further improve the current situation

HYPOTHESIS

A research cannot be rightly under taken without laying down appropriate set of hypothesis. Here are hypotheses regarding the Indian Economics Reforms: Strat Of A New Era formulated in a null (H0) and alternative (H1) format:

H0: The Indian economic reforms initiated in the early 1990s have not significantly impacted the trajectory of the nation's economic development.

H1: The Indian economic reforms initiated in the early 1990s have significantly influenced the trajectory of the nation's economic development, marking the beginning of a new era of prosperity.

H0: There is no significant difference in the level of income inequality and disparities among different segments of the population before and after the implementation of Indian economic reforms

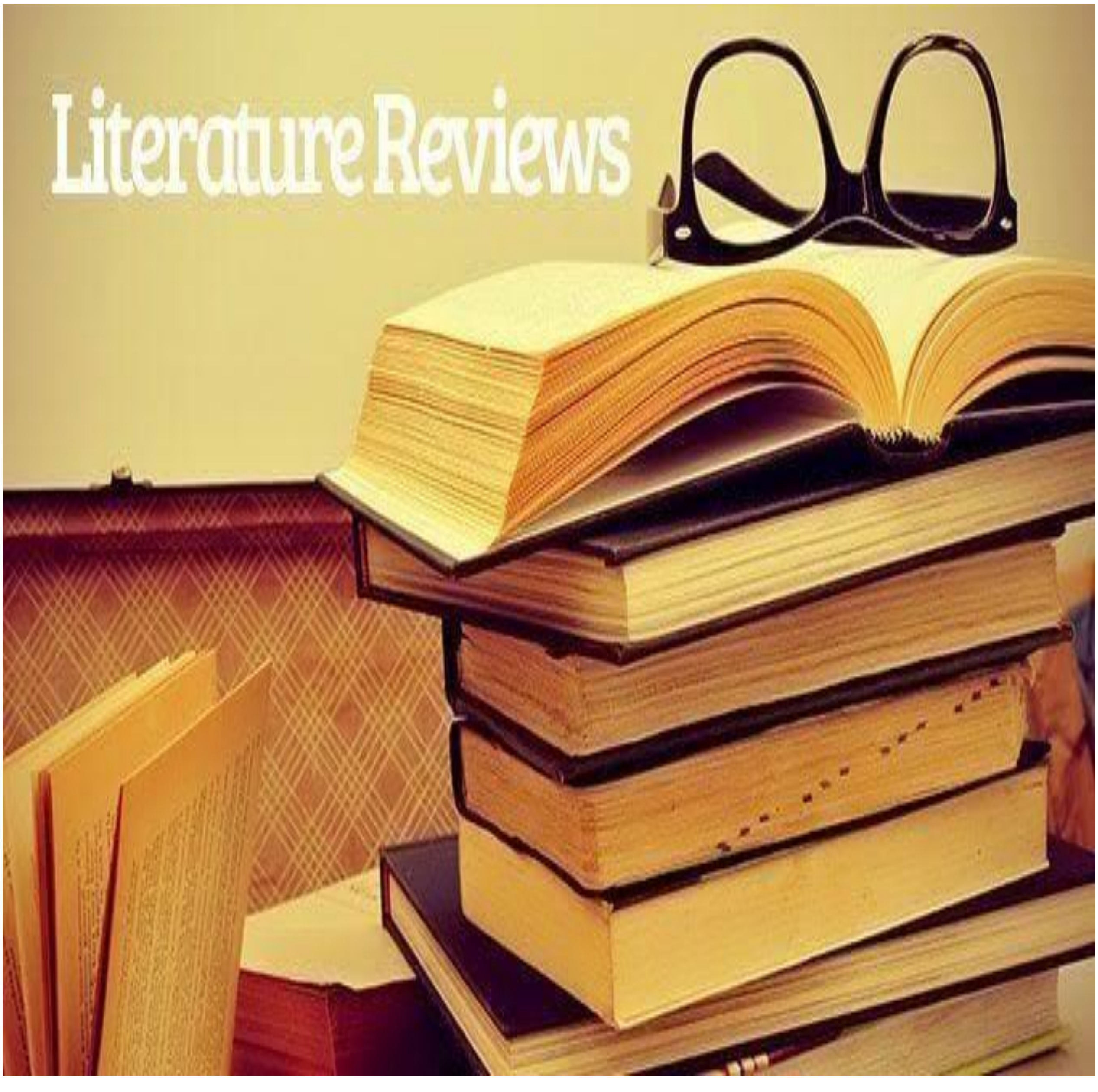
H1: There is a significant difference in the level of income inequality and disparities among different segments of the population before and after the implementation of Indian economic reforms, indicating challenges to inclusive growth in the new economic era.

H0: The success of India's economic reforms does not depend significantly on effective governance, regulatory reforms, and investments in human capital and social infrastructure.

H1: The success of India's economic reforms significantly depends on effective governance, regulatory reforms, and investments in human capital and social infrastructure, shaping the trajectory of the nation's economic development in the new era.

CHAPTER 3

LITERATURE REVIEW



LITERATURE REVIEW

The literature on Indian economic reforms since 1991 paints a rich tapestry of analysis, highlighting various dimensions of this transformative period. Historical accounts by scholars like Bhagwati and Panagariya (2013) trace the roots of reforms to the balance of payments crisis, while Ahluwalia (2002) sheds light on the political and economic imperatives that drove policy change. Empirical studies by Rodrik and Subramanian (2004) and Panagariya (2008) document the tangible impacts of reforms on GDP growth, signaling a significant acceleration post-1991. However, voices such as Dreze and Sen (2002) caution against a one-dimensional celebration, pointing to persistent challenges like inequality and social development gaps.

Sector-specific analyses by Kumar (2018) and Kapur and Ramamurti (2001) delve into the intricacies of liberalization, privatization, and financial sector reforms, illustrating the complex interplay of policy choices and outcomes. Gupta and Shrinivasan (2000) offer insights into India's integration with global markets, highlighting the opportunities and risks associated with globalization. Meanwhile, scholars like Bardhan (2005) shine a light on governance challenges, corruption, and regulatory failures that have hindered the effectiveness of reforms.Data and graphs of international Institutions and researchers, credit rating agencies etc. Various topics and critical analysis of each one separately as per scholar’s views.

Many International institutions praised recent reforms in Indian economy and released some reports, facts and figures and also gave some suggestions for further reforms for better growth prospects in future:

World Bank

The World Bank is an international financial institution provides loans to countries of the world for capital projects. It comprises two institutions: the International Bank for reconstruction & development (IBRD), and the International development association (IDA). The World Bank's most recent stated goal is the reduction of poverty. India is the largest recipient of loans from world bank.

India is in a period of unprecedented opportunity, challenge and ambition in its development. Already the world’s third largest economy in purchasing parity terms, India aspires to better the lives of all its citizens and become a high-middle income country by 2030, well before the centenary of its independence.

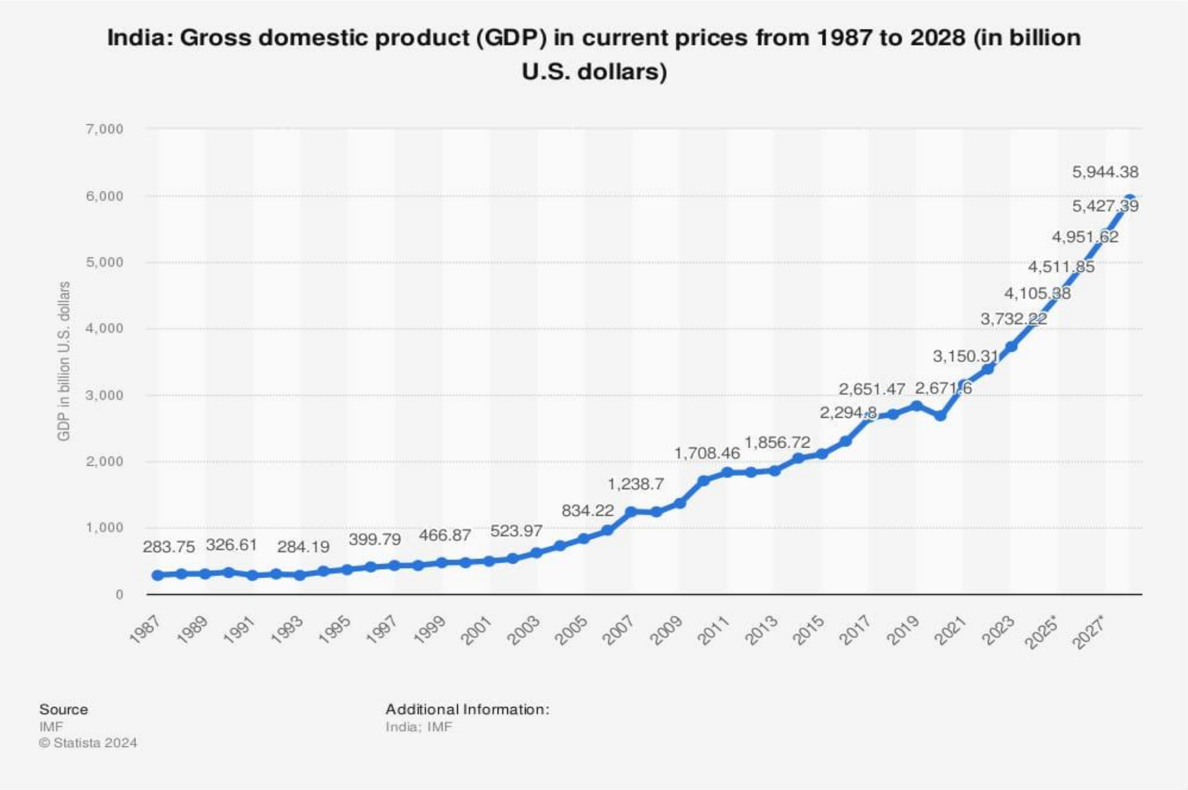
Long-term GDP growth has become more stable, diversified, and resilient. Over the next few years, India is expected to grow at well over 7 percent per year, with progress being buttressed by dynamic reforms in the macroeconomic, fiscal, tax and business environments.

In recent years, the country has made a significant dent in poverty levels, with extreme poverty dropping from 46 percent to an estimated 13.4 percent over the two decades before 2015. While India is still home to 176 million poor people, it is seeking to achieve better growth, as well as to promote inclusion and sustainability by reshaping policy approaches to human development, social protection, financial inclusion, rural transformation, and infrastructure development.

Global Economic Prospects Report 2019 by World Bank- India’s GDP is expected to grow at 7.3% in 2018-19 and 7.5% in following two years. The growth rates are attributed to an upswing in consumption and investment. India would continue to be the fastest growing economy in the world.

CHAPTER 4

DATA ANALISIS AND INTERPRETATION



India's Current GDP Growth (US $)

International Monetary Fund (IMF)

The International Monetary Fund (IMF) is an international organization headquartered in USA working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

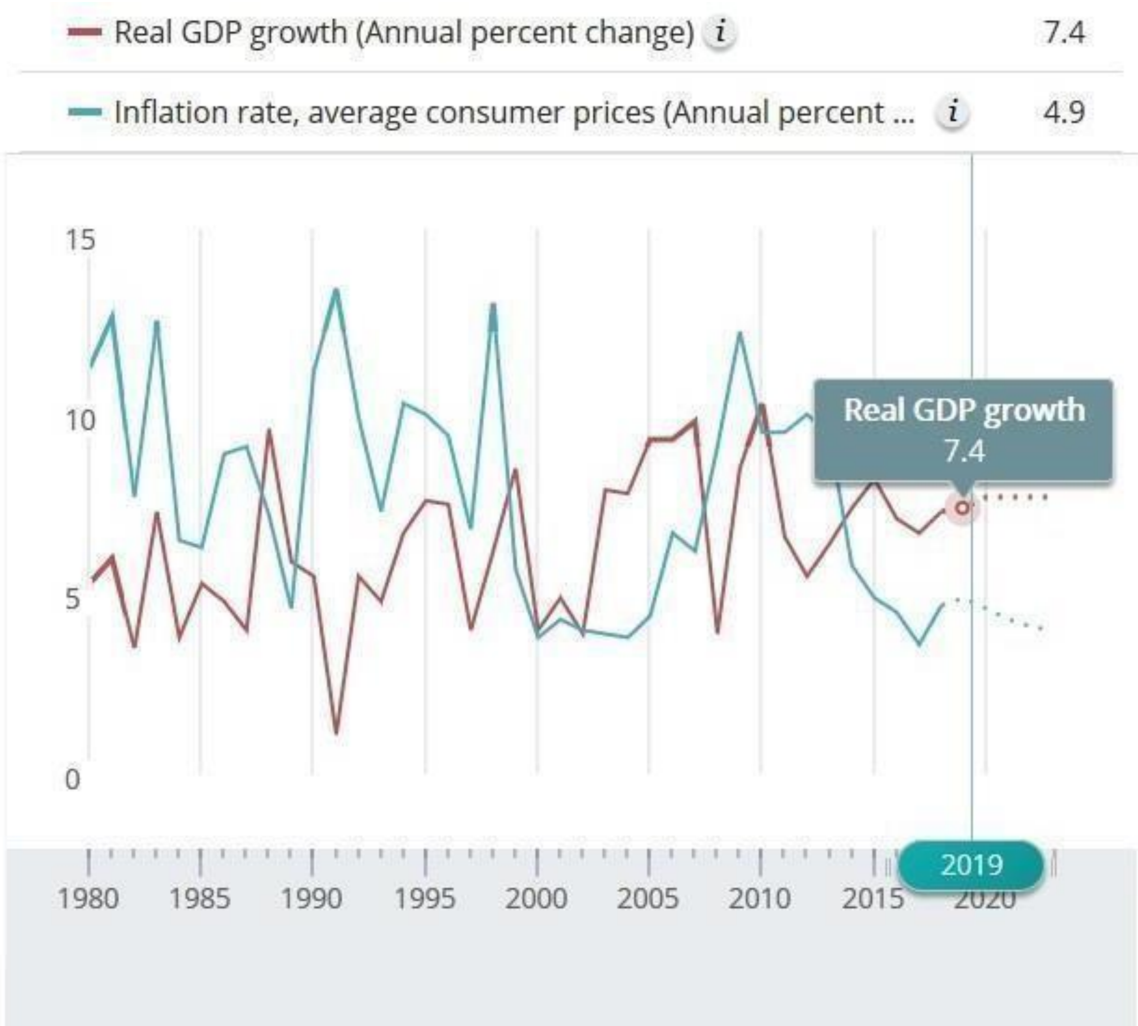
According to 'World Economic Outlook' report of IMF- India's ability to achieve rapid, sustainable development will have profound implications for the world. India's success will be central to the world's collective ambition of ending extreme poverty and promoting shared prosperity, as well as for achieving the 2030 Sustainable Development Goals (SDGs). Indeed, the world will be only able to eliminate poverty if India succeeds in lifting its citizens above the poverty line.

For international trade and the health of the global economy too, India's growth will be an ever more important. In addition, the carbon footprint Indialeaves as it propels its high growth will have a significant influence on the planet's ability to keep global warming within the 2-degree threshold.

On crucial issues ranging from managing scarce water resources, to modernizing food systems, to improving rural livelihoods, to ensuring that megacities become engines of sustainable economic growth and inclusion, India's development trajectory will have a major influence on the rest of the world.

At the same time, India's growing economic and political stature and the relevance of its experience, know-how and investments for the development efforts of other nations well-position the country to play a greater leadership role in the global arena.

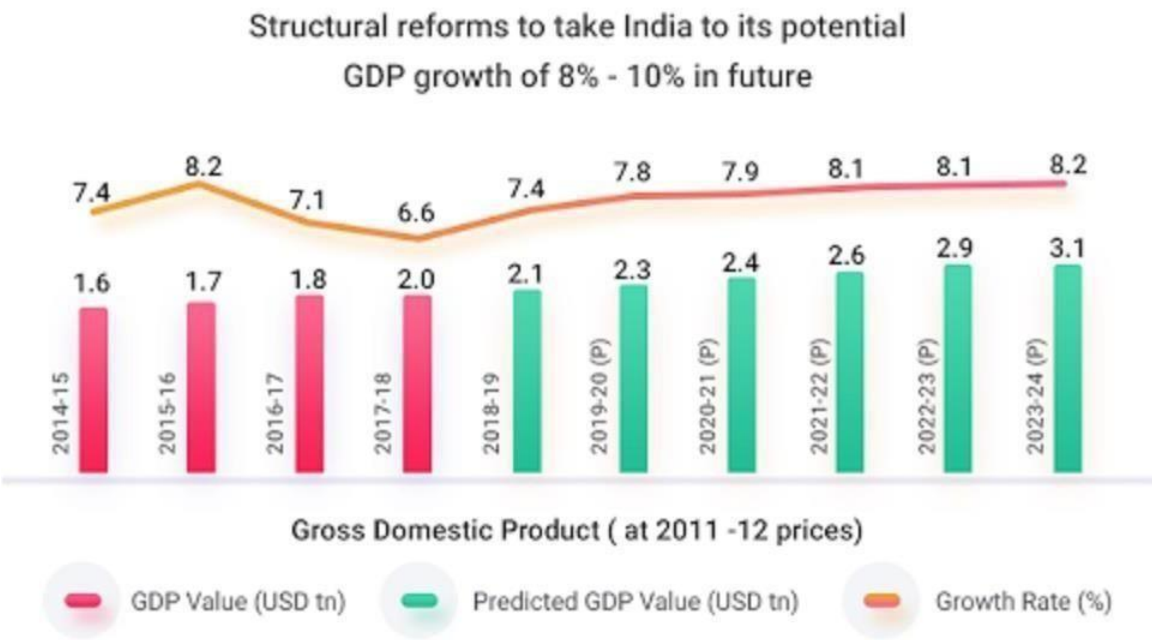
The International Monetary Fund (IMF) forecasted a growth rate of 7.3 per cent for India in the current year of 2018 and that of 7.4 per cent in 2019. Important reforms have been implemented in recent years, including the Goods and Services Tax, the inflation-targeting framework, the Insolvency and Bankruptcy Code, and steps to liberalise foreign investment and make it easier to do business. Renewed impetus to reform labour and land markets, along with further improvements to the business climate.



World Economic Forum (WEF)

The World Economic Forum headquartered in Switzerland is an independent and impartial International Organization for Public-Private Cooperation. Its objective is to improve the state of the world. It does not promote any political, commercial or personal interests, nor does it use the names of its participants for promotional purposes.

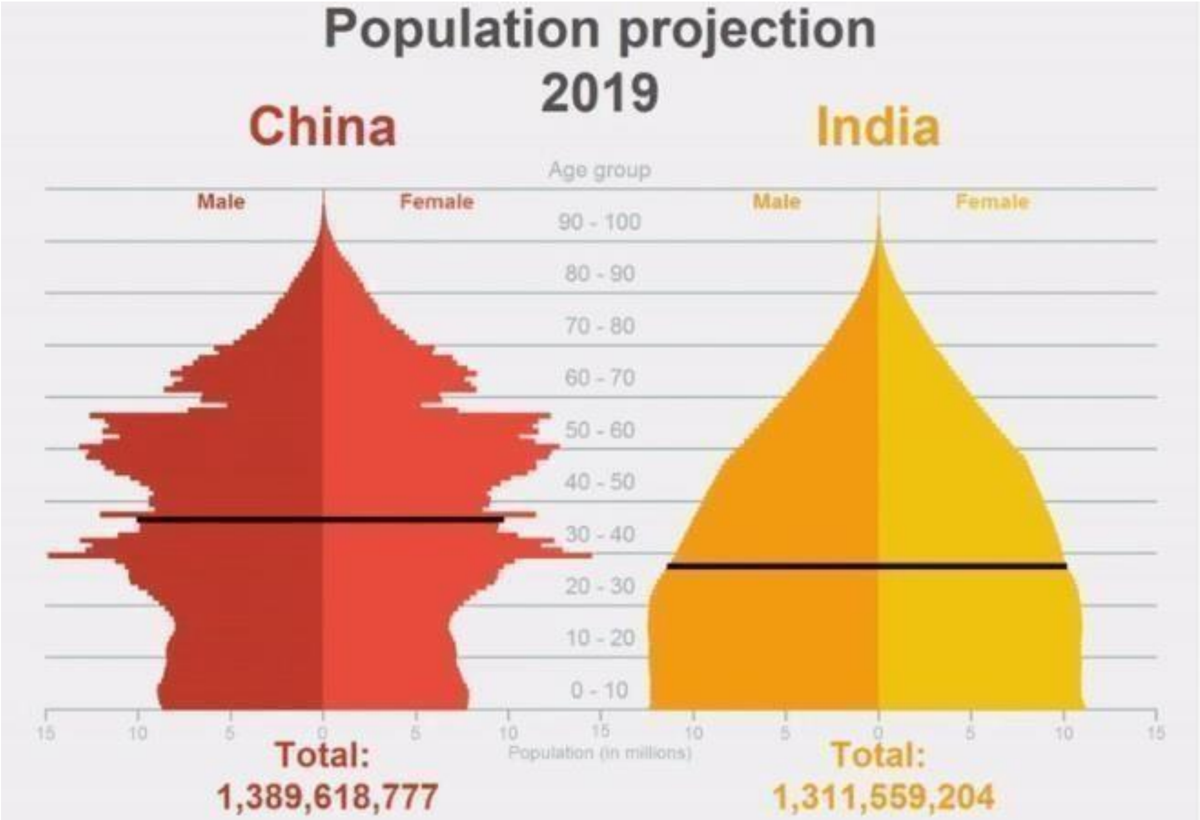
India will continue to be the fastest growing major economy in the world, with 7.5% GDP growth predicted in the next two years. It is already one of the most sought-after foreign-investment destinations and is expected to become the third largest consumer economy by 2025. A young demographic base, growing income levels, expanding (globalized) middle-class and stable democracy has propelled India into the league of major global economic powers.



According to 'Global Competitiveness Report 2018' by WEF- India is the most competitive country in south asia. It has improved across most pillars of competitiveness, particularly infrastructure, higher education and training and technological readiness reflecting recent public investments in these areas. The report has lauded India's efforts in Information and Communication Technology (ICT) sector as it can boost internet economy.

RBI

The central bank in its latest Annual report predicted a strong growth trajectory of the country's economy. Infrastructure holds the key to unleashingthe impulses of faster growth. In the road sector, the key targets are awarding works for around 20,000 km length of national highways; and developing ring roads around 28 major cities under the Bharatmala project. A large-scale adoption of digital modes of payments was done in 2017-18. A huge young population of average age 29 years which is still decreasing is a big factor for better economic prospects in future on the other side countries like China are struggling with their ageing population.



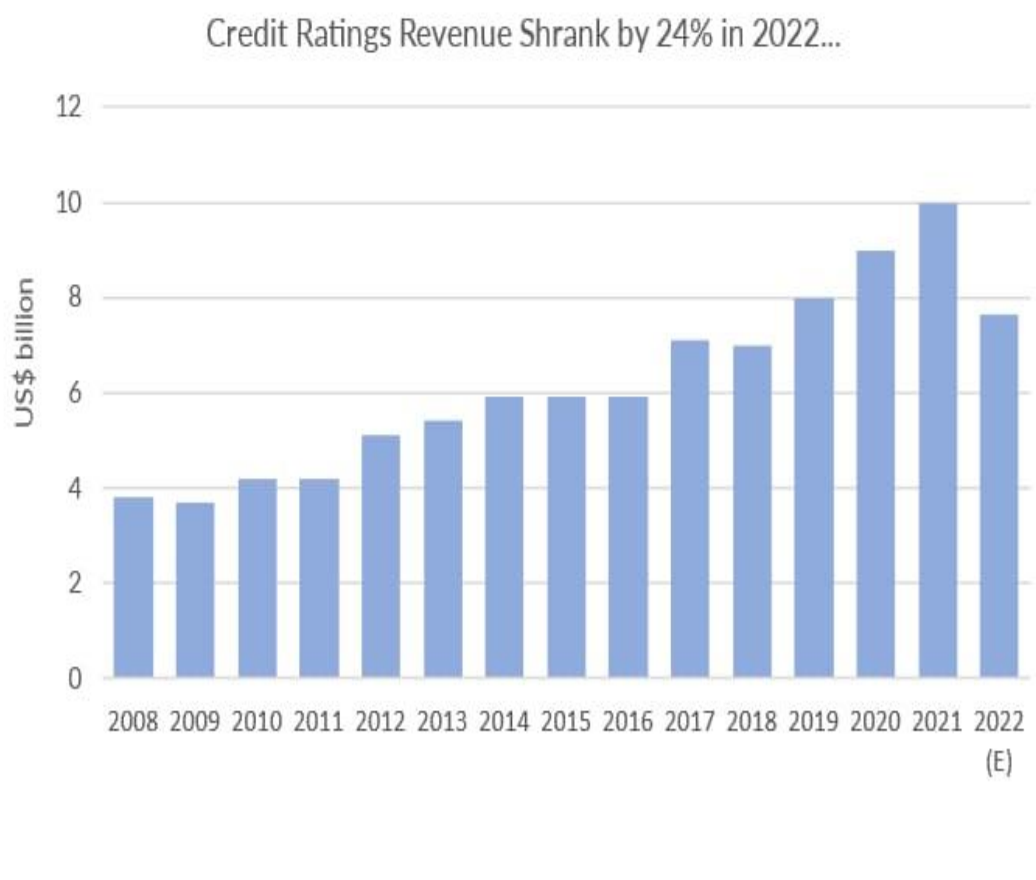
Many international credit rating agencies also praised efforts of indian government for betterment of india’s economy.

Moody's

Moody's Investors Service ("Moody's") has 'Upgraded' the Government of India's local and foreign currency issuer ratings to Baa2 from Baa3 and changed the outlook on the rating to stable from positive in 2017. India's rating has been upgraded after a period of 13 years. India's sovereign credit rating waslast upgraded in January 2004 to Baa3 (from Ba1).

Recognised major economic and institutional reforms undertaken by Government of India. These reforms include introduction of path breaking Goods and Services Tax (GST); putting in place a sound monetary policy framework; measures taken to address recapitalisation of public sector banks and a number of measures taken to bring formalisation and digitalisation (The JAM agenda) in the economy - demonetization, the Aadhaar system of biometric accounts and targeted delivery of benefits through the Direct Benefit Transfer (DBT) system.

Moody's have also rightly recognized the Government's commitment to macro stability which has led to low inflation, declining deficit and prudent external balance and Government's fiscal consolidation programme which has resulted in a reduction of fiscal deficits from 4.5% of GDP in 2013-14 to 3.5% in 2016-17and its consequential sobering impact on general government debt. Government intends to stay the course on fiscal consolidation in the medium term.



Post-independence reform initiatives have done a great job for Indian economy but still there are many areas which have to be addressed seriously. On one hand, India is receiving accolades for a sustained growth rate and on the other, it is still a low-income developing economy. Even today, nearly 25 percent of India's population lives below the poverty line. Also, there are manyhuman and natural resources which are under-utilized.

The Economic Issues in India:

Being a poor country and one of the fastest growing economies in the world, there are some unique economic issues in India as explained below:

1. **Low per capita income-** Usually, developing economies have a low per-capita income. The per capita income in India in 2017-18 was Rs.1,12,835/-. In the same year, the per-capita Gross National Income (GNI) of USA was 35 times that of India and that of China was 5 times higher than India.
   Further, apart from the low per-capita income, India also has a problem of unequal distribution of income. This makes the problem of poverty a critical one and a big obstacle in the economic progress of the country. Therefore, low per-capita income is one of the primary economic issues in India.

2. **Huge dependence of population on agriculture-** Another aspect that reflects the backwardness of the Indian economy is the distribution of occupations in the country. The Indian agriculture sector has managed to live up to the demands of the fast-increasing population of the country.
   According to the World Bank, in 2017, nearly 47 percent of the working population in India was engaged in agriculture. Unfortunately, it contributed merely 17 percent to the national income implying a low productivity per person in the sector. The expansion of industries failed to attract enough manpower either.

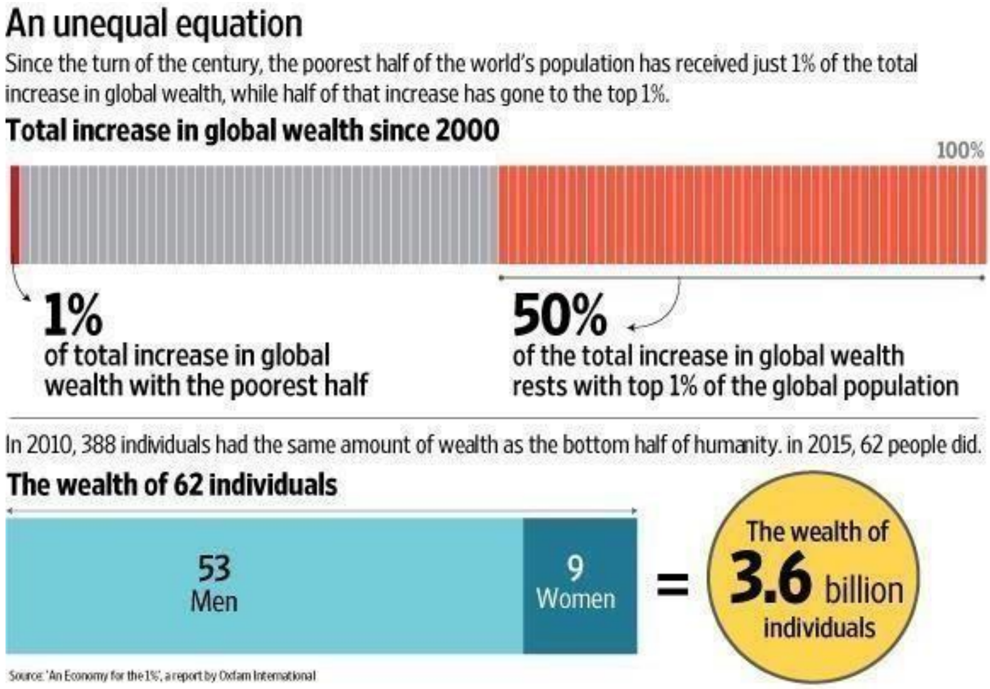
3. **Heavy population pressure-** Another factor which contributes to the economic issues in India is population. Today, India is the second most-populated country in the world, the first being China.

We have a high-level of birth rates and a falling level of death rates. In order to maintain a growing population, the administration needs to take care of the basic requirements of food, clothing, shelter, medicine, schooling, etc. Hence, there is an increased economic burden on the country.

4. **The existence of chronic unemployment and under-employment-** Thehuge unemployed working population is another aspect which contributes to the economic issues in India. There is an abundance of labour in our country which makes it difficult to provide gainful employment to the entire population.
   Also, the deficiency of capital has led to the inadequate growth of the secondary and tertiary occupations. This has further contributed to chronic unemployment and under-employment in India.
   With nearly half of the working population engaged in agriculture, the marginal product of an agricultural labourer has become negligible. The problem of the increasing number of educated-unemployed has added to the woes of the country too.

5. **Slow improvement in Rate of Capital Formation-** India always had a deficiency of capital. However, in recent years, India has experienced a slow but steady improvement in capital formation. We experienced a population growth of 1.6 percent during 2000-05 and needed to invest around 6.4 percent to offset the additional burden due to the increased population.
   Therefore, India requires a gross capital formation of around 14 percent to offset depreciation and maintain the same level of living. The only way to improve the standard of living is to increase the rate of gross capital formation.

6. **Inequality in wealth distribution-** According to Oxfam's report in 2018, the gap between the rich and the poor in the world is huge and is increasing. In the world, 1% rich people own the same wealth as the 50% of people at the bottom, who form the poorest half of humanity.
   In India, merely 1 percent of the population grabbed 73 percent of the total Indian wealth generated in 2017.



7. **Poor Quality of Human Capital-** In the broader sense of the term, capital formation includes the use of any resource that enhances the capacity ofproduction.
   Therefore, the knowledge and training of the population is a form of capital. Hence, the expenditure on education, skill-training, research, and improvement in health are a part of human capital.
   To give you a perspective, the United Nations Development Program (UNDP), ranks countries based on the Human Development Index (HDI). This is based on the life expectancy, education, and per-capita income. In this index, India ranked 130 out of 188 countries in 2014.

8. **Low level of technology-** New technologies are being developed every day. However, they are expensive and require people with a considerable amount of skill to apply them in production.
   Any new technology requires capital and trained and skilled personnel. Therefore, the deficiency of human capital and the absence of skilled labour are major hurdles in spreading technology in the economy.
   Another aspect that adds to the economic issues in India is that poor farmers cannot even buy essential things like improved seeds, fertilizers, and machines like tractors, investors, etc. Further, most enterprises in

India are micro or small. Hence, they cannot afford modern and more productive technologies.

9. **Lack of access to basic amenities-** In 2011, according to the Census of India, nearly 7 percent of India's population lives in rural and slum areas. Also, only 46.6 percent of households in India have access to drinking water within their premises. Also, only 46.9 percent of households have toilet facilities within the household premises.
   This leads to the low efficiency of Indian workers. Also, dedicated and skilled healthcare personnel are required for the efficient and effective delivery of health services. However, ensuring that such professionals are available in a country like India is a huge challenge.

10. **Demographic characteristics-** According to the 2011 Census, India had apopulation density of 382 per square kilo-meter as against the world population density of 41 per square kilo-meter.
    Further, 29.5 percent was in the age group of 0-14 years, 62.5 percent in the working age group of 15-59 years, and around 8 percent in the age group of 60 years and above. This proves that the dependency burden of our population is very high.

11. **Under-utilisation of natural resources-** India is rich in natural resourceslike land, water, minerals, and power resources. However, due to problems like inaccessible regions, primitive technologies, and a shortage of capital, these resources are largely under-utilized. This contributes to the economic issues in India.

12. **Lack of infrastructure-** The lack of infrastructural facilities is a serious problem affecting the Indian economy. These include transportation, communication, electricity generation, and distribution, banking and credit facilities, health and educational institutions, etc. Therefore, thepotential of different regions of the country remains under-utilized.

CHAPTER 5

FINDINGS, SUGGESTIONS AND CONCLUSION

Under Macro-Economic Reforms

Control Current Account Deficit, need to find balance between growth and inflation, increase tax revenues by broadening tax base, reforms in management of public sector banks.

Social Sector Reforms

Reduce wealth and income inequality, increase minimum wages, promote gender equality, manage migration from rural India, create a new social order for non-conflicting growth of capital.

Trade and market reforms

Industry and bureaucratic reforms, need to promote free trade agreements with other countries with keeping in mind the welfare of domestic industries,need timely review of obsolete laws and regulations, encourage new generation entrepreneurs by creating opportunities

Agricultural reforms

Encourage the formation of co-operatives, integrate the agricultural market with measures like E-NAM, rationalise the supply chain, creation of food processing facilities at various levels, increase agricultural investment for welfare of rural India.

Industrial reforms

Need reforms in labour laws which should also take care of social security of labours, raise minimum wages as per market norms and ensure its proper implementation.

Land reforms

Ensure proper implementation of land acquisition laws, need to drastically reduce land acquisition time period with proper rehabilitation and compensation for displaced people

Energy reforms

Need to ensure 24x7 availability without fluctuations, need to curb transmission and distribution losses by using latest technology and by stoppingelectricity theft, need to focus more and more on renewable energy sources which are environment friendly at an effective cost. Research and development must be promoted in this sector to utilise available Thorium directly into Nuclear power plants instead of imported Uranium.

Environmental reforms

Need to adopt mitigation and adaptation measures because even after fulfilling 'Nationally Determined Contributions' (NDC) it is not necessary we will become safe from climate change as climate change is a global phenomenon and every country must contribute to it. India need to make better disaster management systems, improve legal framework for forest management, need to adopt water conservation methods.

Judicial reforms

Increase the institutional capacity of lower courts, Enforce speedy trials and judgement, setup arbitration tribunals for mediation and quick settlement.

Legislative reforms

Need to adopt long term policies rather short term just to win next elections, need to allow specialists and professionals to aid legislators, need to stop frequent changes in laws and policies that affect business in the country.

Financial sector reforms

Need better and effective coordination between various authorities and regulators. Ideal would be RBI taking care of all payment and settlement systems and a Unified financial agency takes care of all other financial products by merger of existing entities like SEBI, PFRDA, IRDA.

LIMITATIONS AND SCOPE OF FUTURE RESEARCH

As the subject of the project is quite vast and we can find tonnes of material, data, statistics which sometimes becomes too technical in nature. But I restricted myself to general topics which are more commonly used and keeps in news.

I tried my best to make this project reader friendly which can be easy to understand and can provide a broad overview of the subject.

Authentic data is used from websites of various institutions. Finding latest data and statistics sometimes caused difficulties, a lot of time consuming. So, I restricted myself only to the important institutions, reports, index etc.

Further research in future could be done on- climate change and depleting resources. How to make best use of renewable energy resources? These issues are still not addressed very well by economists due to lack of availability of data. This issue is going to be the most important one in the near future. By analysing these issues and data we can modify our development path according to it to save our planet earth and human civilisation.

CONCLUSION

There is no doubt that the Indian economy recorded plenty of achievements over the last 27 years. If the size of an economy provides the first impression ofa country's political and economic strength, then India has indeed grown since 1991. The nominal GDP that stood at INR 5,86,212 crore in 1991, was pegged at INR 1,67,73,086 crore in 2018, representing a 22-fold increase. In dollar terms, India's GDP crossed the $2.7-trillion mark in 2017-18. Currently, the country is ranked ninth in the world in terms of nominal GDP. India is projected to be the second largest economy in the world by 2050. Further, once rebuked for its "Hindu rate of growth", a term used to refer to low rate of economic growth, India has emerged as the fastest growing economy in the world.
Especially, between 2005 and 2008, the economy clocked the nine-percent mark annually, when the hypothesis of "overheated" economy came to the fore. With the Indian government revising the GDP growth figures and China slowing down, India is now being billed as the fastest growing major economy in the world, with a growth rate of 7.1 percent in 2017-18.

"No power on earth can stop an idea whose time has come," stated then Finance Minister Manmohan Singh while presenting the Union Budget in July 1991, quoting novelist Victor Hugo. But the economy can no longer bank on the ideas of 1991, but needs to move forward. Moreover, different times have brought to the fore an evolving set of challenges.

It must be noted that while economic growth is important and needs to be treated as the necessary condition for economic well-being, it is not sufficient for human well-being. Unfortunately, even today, the policy core suffers from the dogma of "growth-fetishism", and looks at well-being through a reductionist lens, like in 1991. The paradigm must now change, as evidence is mounting that economic growth is not a panacea. Rather it can emerge with itsown negative externalities of wealth concentration in a few hands, corruption under crony capitalism, and environmental pollution for over-reliance on unclean technology. The concerns of equity and sustainability therefore are important.

Hence, in-short we can say the current path on which Indian economy is moving may make India biggest economic power in the world in future. But theonly need is- 'it must be inclusive' only then it can insure welfare of all its people.

CHAPTER 6

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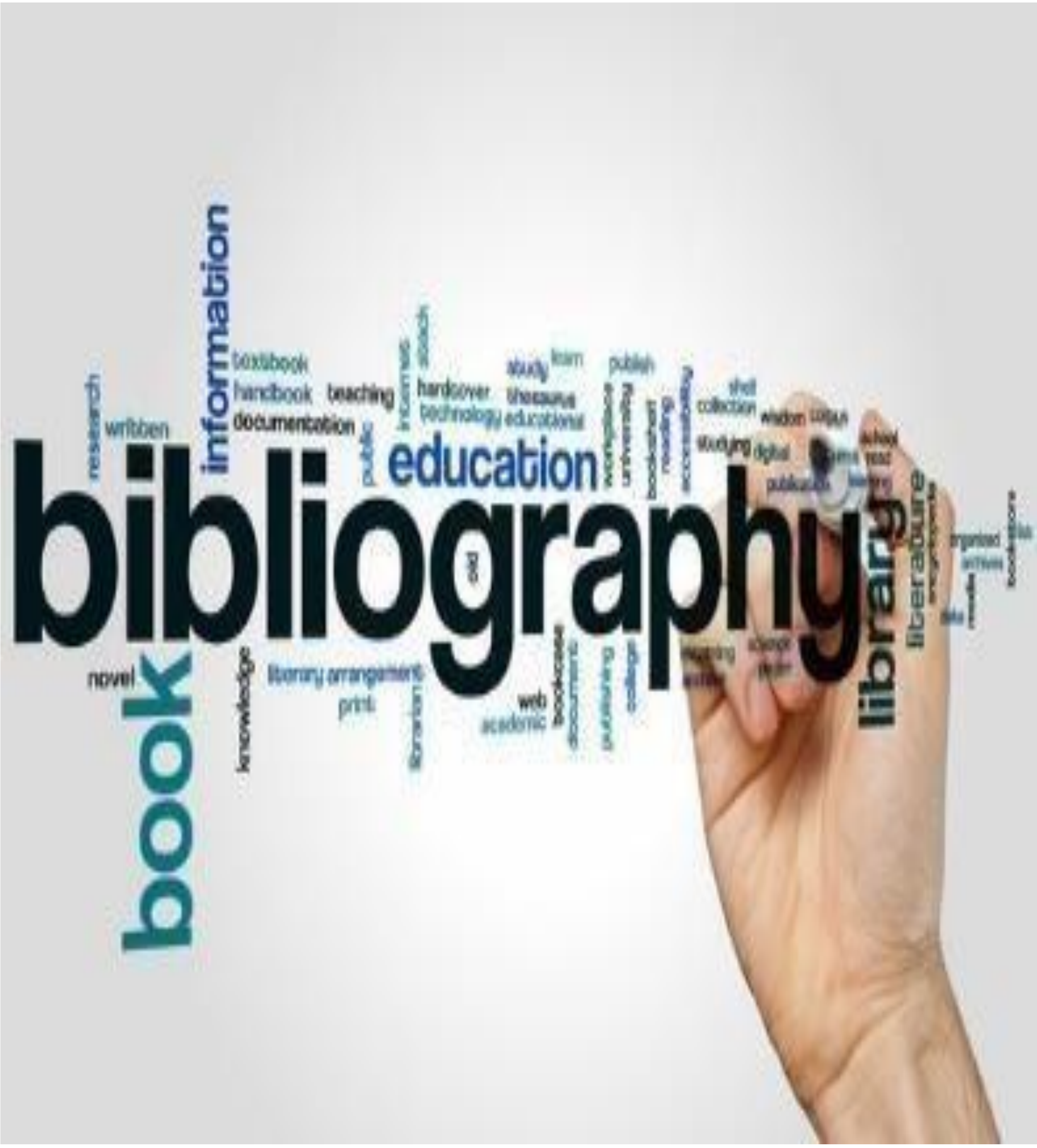

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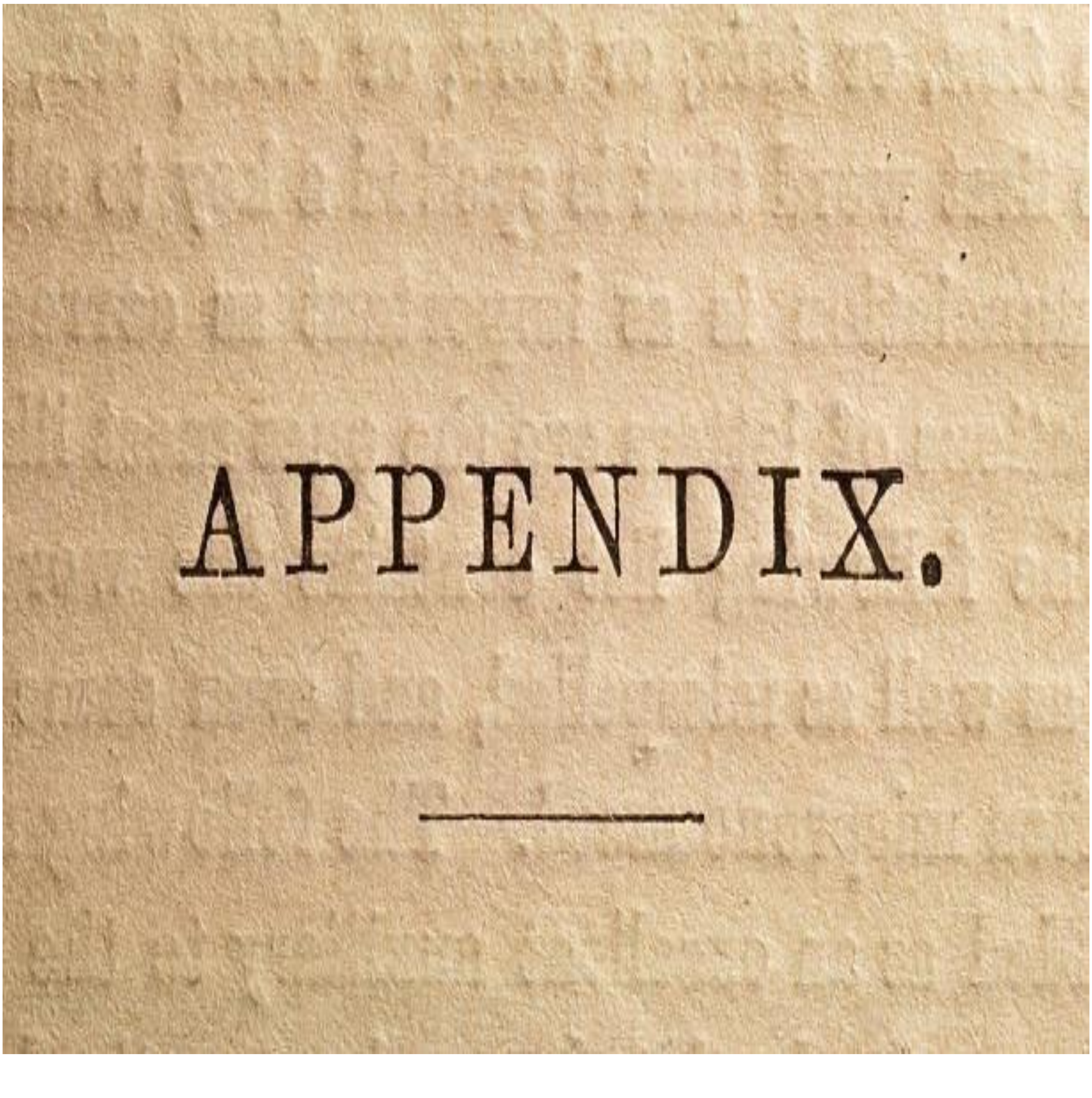
CHAPTER 7

APPENDIX



APPENDIX

This questionnaire is designed to gather insights into public perceptions and understanding of the monetary policy framework of the Central Bank of India. Your responses will aid in evaluating the effectiveness of the central bank's communication strategies and the public's awareness of monetary policy measures.

QUESTIONNAIRE

1) Gender:

Male
Female
Other (Please specify):

2) Age:

Under 18
18-24
25-34
35-44
45-54
55-64
65 or above

3) Education Level:

High School or Below
Bachelor's Degree
Master's Degree
Doctoral Degree
Other (Please specify)

4) How familiar are you with the term "Indian Economic Reforms"?

Very familiar
Somewhat familiar
Not very familiar
Not familiar at all

5) Do you believe that Indian economic reforms have ushered in a new era for the country's economy?

Strongly agree
Agree
Disagree
Strongly disagree

6) In your opinion, what are the primary objectives of Indian economic reforms?

Economic growth
Poverty alleviation
Foreign investment attraction
Modernization of industries

7) How do you perceive the impact of Indian economic reforms on the overall standard of living in the country?

Positive impact
Negative impact
No impact

8) How have Indian economic reforms affected the agricultural sector?

Positive impact
Negative impact
No impact
Not sure

9) Have Indian economic reforms contributed to the growth of the manufacturing sector?

Yes, significantly
Yes, to some extent
No, not really

10) In your opinion, what are the key challenges that India may face in sustaining economic reforms and growth?

Political instability
Socioeconomic inequality
Global economic fluctuations
Technological disruption

11) How optimistic are you about the future of the Indian economy in light of ongoing economic reforms?

Very optimistic
Optimistic
Neutral
Pessimistic