

# **Economic Reforms of NDA government and Performance of Indian Economy**

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## **I) Introduction**

### **Objectives**

- Presents the major economic reforms implemented by the NDA government
- To assess the economic reforms
- Examine economic performance based on economic indicators (GVA growth rate, per capita income, inflation rate, balance of payments, foreign exchange reserve, employment, unemployment etc.)
- Discuss the effects of reforms on employment, unemployment and poverty.
- The sources of data for the study are economic surveys, statistical reports and other publications of government of India.

## **II) Economic Reforms of NDA Government**

- Weakening mixed economy framework through excessive marketization, privatization of public sector undertakings, import liberalization, withdrawal of state intervention in market, reduction of subsidies etc.
- Excessive import liberalization, large scale import of cheap manufactured goods, agricultural products, dumping of foreign goods, opening of trade, banking and real estate sectors to foreign investment, heavy reliance of foreign investment etc.
- These policies have depressed domestic investment, production, employment, income and domestic demand of products.
- Abandoning planning commission and dismantling an expert and professional body engaged in formulating national development goals, development policies, five year and annual plans, integrating states plans with national plan, allocation of plan grants to states, evaluation of centrally sponsored schemes etc.
- Five Year Plans were excellent documents on state of the economy, development issues and development perspectives
- Now we do not have any serious document on national development
- In the place of experts, bureaucrats were appointed in NITI Ayog
- Demonetization of 86% of the currency in circulation on November 8, 2016

- Severe restrictions on cooperative banks, non-banking financing institutions, money lenders etc, as part of the demonetization resulting in sharp fall in credit distribution in rural areas.
- Digitilisation to achieve a cashless economy in a country with very poor coverage of bank branches, ATM's and households with internet connections in rural areas.
- Implementation of goods and service tax (GST) from 1<sup>st</sup> July 2017, and imposition of 18% of tax on products of small scale industrial units which were exempted from excise duties and other taxes earlier
- Hasty implementation of GST without proper preparation and experimentation
- High and arbitrary tax rates were imposed on products of SME sector.
- Deregulation and daily fixing of prices of diesel, petrol etc based on market fluctuations.
- Maintaining a high level of prices of petrol, diesel etc, through frequent imposition of central excise duties.
- Conversion of large amount of defaulted bank loans of corporates and rich to the category of non-performing assets in public sector banks.
- Amalgamation of public sector banks into big banks

State Bank of India (Amalgamating 6 subsidiary banks with it), Bank Of Baroda (Amalgamating 2 banks with it), Punjab National Bank (Amalgamating 2 banks with it), Canara Bank (Amalgamating 1 bank with it), Allahabad Bank (Amalgamating 1 bank with it) & Union Bank (Amalgamating 2 banks with it)

- Discourage or destroy small economic units (SMEs) and promote - big ones or corporates
- It is argued that big units can mobilise more capital, manpower, skills, better technology, reduce cost of production, generate more profits/surplus and transform India as an economic power
- Systematic withdrawal of protection and subsidies given to farmers, landless labourers, producers of small scale industries, traditional industries, self-employed categories and poorer sections of people

### **Centralistion of Economic powers**

- Abolition of planning commission and taking over of powers to allocate, plan grants to states by finance ministry. Resulted in arbitrary allocation of central funds to state.
- Abolition of autonomy of railways and separate railway budget.
- Curtailing autonomy of central bank (RBI) through forced implementation of demonetization, forcing to surrender one third of reserve fund.
- Fiscal centralisation through transfer of state taxes to centre, rigid fiscal control over state finances by centre, arbitrary allocation of central grants to state, treating state government as subordinates
- Excessive digitalisation, severe restrictions in use of cash for transactions and implementation of inspector raj type controls to monitor the cash transactions.
- Starting new centrally sponsored schemes (CSS) and shifting a substantial share of financial burden to states.

- Attempt to demolish university grants commission (UGC) and take over the power of allocation of grants for higher education by central government.
- Transfer of administrative and financial powers to local governments (three tier panchayats and municipalities) was arrested
- No steps to promote decentralisation process
- Centralisation of powers at the hands of central government and reduction of powers of state and local governments is the policy.

### **Demonetisation and effects on agriculture and SME sector**

- Demonetisation destroyed informal sector which account for 85% of Indian workers and contribute 45% of GDP of India (Implemented on November 8, 2016).
- According to national commission for employment, the entire agriculture except the large plantations came under informal sector.
- Like a human body transformed to a state of paralysis due to lack of blood for circulation, informal sector economy is transformed to a paralysis situation due to lack of cash.
- Demonetisation has pushed the informal economy to a structural retrogression suppressing investment, production, employment, income, consumption etc.
- It created unprecedented misery, pains and acute financial problems to the entire workers in the country except the 15 per cent in the organised sector.

### **Agriculture and Allied sectors**

- Agriculture depends heavily on cash on its operations and cash shortage has adversely affected all operations of agriculture from sowing to reaping.
- Products of markets were disrupted and there was no demand for the harvested products.
- Large quantities of perishable agricultural products like fruits, vegetables, flowers etc were destroyed due to lack of demand.
- In the case of certain crops, the fall in the price was more than 50 per cent during the first week of demonetisation.
- There was steep fall in the growth of bank credit for agriculture.
- Similar to an earthquake destroying the entire economy, demonetization destroyed everything.

### **Small and Medium Enterprises (SME) Sector**

- Due to acute shortage of cash, resulting in lack of demand for goods, lakhs of SME units were shut down.
- Severely affected small scale business. According to Centre for monitoring Indian Economy (CMIE), demonetisation caused loss of about 15 lakh jobs.
- The micro and small industries sector witnessed a negative growth in bank credit during the post demonetisation period.

- Companies in the organised sector effected substantial cut in the production due to lack of demand for products. This had badly affected the small scale producers supplying goods and their finances.
- There was fall in industrial products produced in the informal sector.
- Adversely affected some segments of export sector such as readymade garments, gems, jewellery etc.

### **III) Economic Reforms : An Assessment**

- The reforms are based on the principles of extreme market oriented policies aiming withdrawal of state intervention in market.
- The reforms may lead to introduction of more capital intensive technology and displace the existing workers and reduce the need for future workers.
- The policies will promote economic benefits to large production and service units at the cost of small ones.
- The policies will lead to speedy transformation of Indian economy leading to destruction of small scale and informal sector units.
- The economic policies indicate a major departure from the liberalisation policies pursued by preserving the mixed economic frame work, state intervention in many fronts and measures for rapid reduction of poverty and unemployment.
- Excessive import liberalisation is likely to damage all sectors of the domestic economy.
- Demonetization has resulted in wide spread destruction of small scale units (SMEs) and informal units.
- Distorted implementation of GST had created consider damage to SMEs in secondary & tertiary sectors
- Amalgamation of public sector banks is helpful to get credit to big investors and producers in urban areas. Bank's profitability is also increase.
- But it is not helpful to provide credit to small scale units, investors in rural and backward areas and informal sector.
- The reform has an anti-inclusive growth character
- Rapid and sustained poverty reduction required inclusive growth approach (36.3 crore people in India are poor in 2011-12)
- Policies failed to address core social issues such as poverty, unemployment and distribution of wealth in favour of middle and poor class.
- Decentralisation and strengthening local governments is a precondition for attaining local level development and reduce disparities in regional development.
- But the NDA government has been pursuing policies aiming centralisation in all fronts.
- The economic policies have resulted in alteration of production of wealth and income infavour of corporates and rich at the cost of poor and middle class.
- The policies have not addressed the acute rural backwardness prevailing in many backward states.

## **Major Centrally Sponsored Schemes of NDA**

### **PM-KISAN (Pradhan Mantri Kisan Samman Nidhi) Scheme**

- This scheme promises to pay all poor farmers (small and marginal farmers having lands up to 2 hectares) Rs 6,000 each every year in 3 installments through Direct Bank Transfer. It would reportedly benefit around 14.5 crore farmers all over India.

### **Mega Pension Scheme**

- A Mega Pension Scheme has been approved for the traders, shopkeepers, and self employed persons (whose GST turnover is less than Rs 1.5 crore).
- The scheme guarantees a minimum assured pension of Rs 3,000 per month for around 3 crore small traders, self employed persons, and shopkeepers, once they attain 60 years of age.

### **New Jal Shakti Ministry**

- It aims at providing piped water connection to every Indian household by the year 2024.

### **Jan Dhan Yojana**

- The scheme ensures access to a range of financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension.

### **Swachh Bharat Mission**

- The campaign aims to achieve the vision of a 'Clean India' by 2nd October 2019.

### **PM Mudra Yojna**

- PMMY is a scheme launched on April 8, 2015 for providing loans up to 10 lakh to the non-corporate, non-farm small/micro enterprises.

### **Ujala Yojna**

- State run Energy Efficiency Services Ltd (EESL) has distributed over 30 crore light emitting diode (LED) bulbs across country under zero-subsidy

### **Digital India Mission**

- A programme with a vision to transform India into a digitally empowered society and knowledge economy.

### **Prime Minister Ujjwala Plan**

- PMUY was launched on May 1, 2016 to distribute 50 million LPG connections to women of BPL families.

### **Impact of Economic Reforms & CSS**

- Lot of propaganda is given for the schemes
- But the state of implementation of most of the schemes are very poor
- The reforms and CSS have dual impacts
- The economic reforms have an anti-inclusive growth character
- Most of the reforms are not favourable to the economic wellbeing or welfare of majority of poor, unemployed and middle class people
- On the other hand, the CSS are helpful to increase the wellbeing or welfare of the beneficiaries of the CSS.
- But the actual achievement the schemes are far below the targets.

### **IV) Vision of Union Budget 2019-20**

#### **10-point Vision for the decade**

- Building Team India with *Jan Bhagidari*: Minimum Government Maximum Governance.
- Achieving *green Mother Earth* and *Blue Skies* through a pollution-free India.
- Making Digital India reach every sector of the economy.
- Launching *Gaganyaan*, *Chandrayan*, other Space and Satellite programmes.
- Building physical and social infrastructure.
- Water, water management, clean rivers.
- Blue Economy.
- Self-sufficiency and export of food-grains, pulses, oilseeds, fruits and vegetables.
- Achieving a healthy society via Ayushman Bharat, well-nourished women & children, safety of citizens.
- Emphasis on MSMEs, Start-ups, defence manufacturing, automobiles, electronics, fabs and batteries, and medical devices under Make in India.

#### **Towards a 5 Trillion Dollar Economy**

- Government aspires to make India a 5 trillion dollar economy.

#### **Foreign Direct Investment**

- FDI in sectors like aviation, media (animation, AVGC) and insurance sectors can be opened further after multistakeholder examination.
- Insurance Intermediaries to get 100% FDI.
- Local sourcing norms to be eased for FDI in Single Brand Retail sector.
- Government to organize an annual Global Investors Meet in India

- Scheme to invite global companies to set up mega-manufacturing plants in areas such as Semi-conductor Fabrication (FAB), Solar Photo Voltaic cells, Lithium storage batteries, Computer Servers, Laptops, etc

### **Comments on the Vision**

- Though a ten point vision is declared, no clear action plan is prepared to implement it. There is no mention about the mobilisation of resources for its implementation.
- Minimum government intervention is the agenda. But in reality, government intervention increased in all spheres of administration.
- Lot of restrictions are imposed for the use of currency for economic transactions.
- The industrialists and producers say that they live in constant fear from state oppression.
- They feel that the government uses its administrative and tax collection machinery to harass them.
- Excessive digitalisation is not desirable in a country where 69 per cent of people live in rural areas and illiterate people accounts for 27 per cent of total population (2011 census).
- Attaining five trillion dollar economy by sacrificing the economic interests and employment opportunities of majority of small scale and informal sector workers is not a socially desirable thing.
- Excessive reliance on foreign investment in all fronts at the cost of domestic producers and investors is not desirable.

### **V) Trends in Economic growth (2005-06 to 2010-11) Table 1**

- But the actual achievement the schemes are far below the targets.
- Between 2005-06 and 2010-11 the Indian economy registered a higher rate of growth except 2008-09.
- Due to global economic crisis, the Indian economy witnessed a recession in 2008-09
- There has been a large fall in the production of industry, construction and tertiary sectors.
- The trade and commerce also witnessed a decline during 2008-09
- Indian economy was able to regain its growth within one year
- But between 2011-12 and 2014-15, there has been a fall in the trend in growth

### **Recent Trends in Economic Growth (Table 1)**

- Since 2015-16, the trend in growth rate declined
- There has been a continuous decline since then
- Industry and construction registered a fall
- Trade and commerce witnessed a fall
- Finance, insurance, real estate registered a fall
- Community, social and personal services witnessed an increase
- Recent economic reforms failed to stimulate the growth process.

**Table 1**  
**Annual Growth Rates of Real Gross Value Added at Factor Cost by Industry of Origin**

Year	Agriculture, forestry & fishing, mining and quarrying	Manufacturing, construction, electricity, gas and water supply	Trade, hotels, transport & communication	Financing, insurance, real estate & business services	Community, social & personal services	Gross value added at factor cost
<b>2004-05 series (at constant price) (per cent)</b>						
2004-05	1.1	10.0	9.5	7.7	6.8	7.1
2005-06	4.6	10.7	12.0	12.6	7.1	9.5
2006-07	4.6	12.7	11.6	14.0	2.8	9.6
2007-08	5.5	10.3	10.9	12.0	6.9	9.3
2008-09	0.4	4.7	7.5	12.0	12.5	6.7
2009-10	1.5	9.5	10.4	9.7	11.7	8.6
2010-11	8.3	7.6	12.2	10.0	4.2	8.9
2011-12	4.4	8.5	4.3	11.3	4.9	6.7
<b>2011-12 series (at constant price) (per cent)</b>						
2012-13	1.4	3.6	9.8	9.7	4.3	5.4
2013-14	4.8	4.2	6.5	11.2	3.8	6.1
2014-15	1.2	6.7	9.4	11.0	8.3	7.2
2015-16	2.1	9.5	10.2	10.7	6.1	8.0
2016-17(2 <sup>nd</sup> RE)	6.8	7.5	7.7	8.7	9.2	7.9
2017-18 (1 <sup>st</sup> RE)	5.0	6.0	7.8	6.2	11.9	6.9
2018-1(PE)	2.7	7.5	6.9	7.4	8.6	6.6

Source: Government of India (2019), Economic Survey 2018-19, Vol. II

**Notes:** PE : Provisional Estimates, RE: Revised Estimates

### **Recession in 2018-19 (Table 2)**

- NDA government says that Indian economy is facing a slowdown and not a recession.
- But economy is in recession as per the definition of recession.
- **Recession:** A situation when demand is sluggish, real output is not rising and unemployment is increasing. A recession is usually identified when real gross domestic product (GDP) falls for two successive quarters.
- GVA at basic prices registered a fall in all the four quarters in 2018-19
- The secondary sector such as industry, construction etc witnessed a steady fall
- Steep fall in the growth of industry
- Agriculture sector witnessed a fall
- The service sector registered a steady growth in all the four quarters
- This indicates that the economy has been experiencing a recession.



**Table 2**  
**Quarter-wise growth in Gross Value Added (%)**

	2017-18				2018-19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Agriculture and allied	4.2	4.5	4.6	6.5	5.1	4.9	2.8	-0.1
Industry	0.8	6.9	8.0	8.1	9.8	6.7	7.0	4.2
(of which) Manufacturing	-1.7	7.1	8.6	9.5	12.1	6.9	6.4	3.1
Services	9.4	6.8	8.0	8.2	7.1	7.3	7.2	8.4
GVA at basic prices	5.9	6.6	7.3	7.9	7.7	6.9	6.3	5.7
GDP at market prices	6.0	6.8	7.7	8.1	8.0	7.0	6.6	5.8

Source: Government of India (2019), Economic Survey 2018-19, Vol. II

### **Economic Recession in 2019-20**

- The National Statistical Office (NSO) has published GDP and gross value added (GVA) growth rate for the first two quarters of 2019-20.
- The GVA growth in the first quarter (April-June, 2019) was 4.9%
- In second quarter (July-September 2019) it fell to 4.3%
- A comparison of GVA growth rate of second quarter of 2018-19 with the second quarter of 2019-20 gives the following trends.
- Growth of agriculture sector fell from 4.9% to 2.1%
- Industrial growth fell from 6.9% to (-)1.0% indicating negative growth
- The construction sector which provide sizable employment fell from 8.5% to 3.3%
- Similarly all other sectors like trade, transport, communication, financial services, real estate etc registered a fall in growth during 2019-20
- This data clearly indicates that the economic recession continues during first half of the current financial year (2019-20)

### **Structural Change (Table 3)**

- The share of primary sector (agriculture and allied) witnessed a steady decline
- Primary sector accounts for 18.52 percent of total GVA
- Fall in the share of secondary sector (from 29.28% to 27.18%)
- Steady increase in the share of tertiary sector
- Tertiary sector accounts for 54.30%
- Fall in the share of secondary sector is an unhealthy change.

**Table 3**  
**Nominal Gross Value Added at Basic Prices by Industry of Origin**

Year	Agriculture, forestry & fishing, mining and quarrying	Manufacturing, construction, electricity, gas and water supply	Trade, hotels, transport & communication	Financing, insurance, real estate & business services	Community, social & personal services	Gross value added at basic prices
<b>2011-12 series (at current prices) (C crore)</b>						
2011-12	1762983	2373988	1413116	1530877	1025982	8106946
2018-19 (PE)	3186003	4674382	3151709	3666326	2521395	17199815
<b>Share at current prices (per cent)</b>						
2011-12	21.75	29.28	17.43	18.88	12.66	100
2018-19 (PE)	18.52	27.18	18.32	21.32	14.66	100

Source: Government of India (2019), Economic Survey 2018-19, Vol. II **Notes:** PE : Provisional Estimate

#### **Key Economic Indicators (Table 4)**

Key economic indicators for four years are given in table 4

Some of the unhealthy changes happening are the following

- A continuous fall in GVA growth rate since 2015-16
- A fall in rate of gross savings (Gross savings as % of GDP)
- A fall in the rate of gross capital formation
- A decline in the index of industrial production
- A decline in the growth in electricity generation.

**Table 4**  
**Key Economic Indicators**

<b>Data categories</b>	<b>Unit</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
<b>GDP and Related Indicators</b>					
GDP at current market prices	Rs. Crore	13771874	15362386	17095005	19010164 a
GDP at constant market prices	Rs. Crore	11369493	12298327	13179857	14077586 a
Growth Rate	(per cent)	8.0	8.2	7.2	6.8 a
GVA at constant basic prices	Rs. Crore	10491870	11318972	12104165	12906936 a
Growth Rate	(per cent)	8.0	7.9	6.9	6.6 a
Gross Savings	% of GDP	31.1	30.3	30.5	NA
Gross Capital Formation	% of GDP	32.1	30.9	32.3	NA
Per Capita Net National Income (at current prices)	Rs	94797	104659	114958	126406 a
<b>Production</b>					
Food grains	Million tonnes	251.5	275.1	285.0	283.4 b
Index of Industrial Production (growth)	(per cent)	3.3	4.6	4.4	3.6
Electricity Generation (growth)	(per cent)	5.6	4.7	4.0	3.5

Source: Government of India (2019), Economic Survey 2018-19, Vol. II Note: NA : Not Available; a : Provisional estimate; b : Third advance estimate

### **Per Capita Income (Table 5 & 6)**

- It is an indicator of economic growth
- The annual growth rate of per capita income is lower since 2013-14
- During the four years since 2013-14, the annual growth rate was less than 10 percent in 3 years
- A state wise review of per capita income shows that in two states it is very low (Bihar and Uttar Pradesh)
- In 12 states it is below the national average per capita income (it includes of Madhya Pradesh, Chhattisgarh, West Bengal and Rajasthan)
- Seven states have a per capita income above the national average
- Eight states have a higher level of per capita income (Uttarakhand, Telengana, Karnataka, Kerala, Maharashtra, Haryana, Sikkim and Goa)

**Table 5**

**Per capita Net State Domestic Product at Current Prices (2011-12 series)**

Year	Per capita Net State Domestic Product	Growth (%)
2011-12	63462	-
2012-13	70983	11.9
2013-14	79118	11.5
2014-15	86647	9.5
2015-16	94797	9.4
2016-17	104659	10.4
2017-18	114958	9.8
2018-19	126406	10.0

Source: Government of India (2019), Economic Survey 2018-19, Vol. II

**Table 6****Ranking of States on the Basis of Per Capita Net State Domestic Product at Current Prices (2011-12 series)**

<b>Sl. No.</b>	<b>Name of State</b>	<b>Per Capita Net State Domestic Product at Current Prices 2016-17 (C)</b>	<b>Rank</b>
<b>I</b>	Below C 52329.5		
<b>1</b>	Bihar	34409	29
<b>2</b>	Uttar Pradesh	50942	28
<b>II</b>	C 523330 – C 104659		
<b>1</b>	Manipur	57888	27
<b>2</b>	Jharkhand	59799	26
<b>3</b>	Assam	67303	25
<b>4</b>	Meghalaya	72870	24
<b>5</b>	Odisha	74234	23
<b>6</b>	Madhya Pradesh	74787	22
<b>7</b>	Jammu & Kashmir	78163	21
<b>8</b>	Chhattisgarh	81808	20
<b>9</b>	West Bengal	83126	19
<b>10</b>	Rajasthan	89678	18
<b>11</b>	Nagaland	90168	17
<b>12</b>	Tripura	91266	16
<b>III</b>	C 104660 – C 156988		
<b>1</b>	Arunachal Pradesh	119150	15
<b>2</b>	Andhra Pradesh	124401	14
<b>3</b>	Mizoram	128241	13
<b>4</b>	Punjab	129321	12
<b>5</b>	Himachal Pradesh	149028	11
<b>6</b>	Tamil Nadu	150036	10
<b>7</b>	Gujarat	156527	9
<b>IV</b>	Above C 156989		
<b>1</b>	Uttarakhand	157643	8
<b>2</b>	Telangana	160062	7
<b>3</b>	Karnataka	161922	6
<b>4</b>	Kerala	163475	5
<b>5</b>	Maharashtra	165491	4
<b>6</b>	Haryana	180174	3
<b>7</b>	Sikkim	270572	2
<b>8</b>	Goa	375550	1

Source: Government of India (2019), Economic Survey 2018-19, Vol. II

### **Inflation (Table 7)**

- Wholesale price index (WPI) indicators witnessed a steady increase since 2016-17
- But other indicators show a decline in its rate since 2014-15
- Consumer Price Index- Combined (CPI-C) witnessed a decline in its rate since 2014-15
- Consumer Price Index - Industrial Workers (CPI-IW), Consumer Price Index- Agricultural Labourers (CPI-AL) and Consumer Price Index- Rural Labourers (CPI-RL) witnessed a similar trend since 2014-15
- Low level of inflation is considered as a healthy change
- But stagnant prices of agricultural products, product of small scale sector and informal sector are not economically desirable as it affects the income of producers and workers.

**Table 7**

#### **General inflation based on different price indices (in per cent)**

	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
WPI	1.2	-3.7	1.7	3.0	4.3 (P)
CPI-C	5.9	4.9	4.5	3.6	3.4
CPI-IW	6.3	5.6	4.1	3.1	5.4
CPI-AL	6.6	4.4	4.2	2.2	2.1
CPI-RL	6.9	4.6	4.2	2.3	2.2

Source: Government of India (2019), Economic Survey 2018-19, Vol. II Note WPI: Wholesale Price Index, CPI: Consumer Price Index, P: Provisional, C: Combined, IW: Industrial Workers, AL: Agricultural Labourers, RL: Rural Labourers

### **Balance of Payments (Table 8 & 9)**

- The continuous deficits in current account is not a sound development
- Economy faces persistent trade balance
- The gap in the receipts of exports and imports are widening
- Negative income from invisibles is another disturbing issue.
- Goods and services balance is negative
- Current account balance is also negative
- On the other hand, the capital account items have a positive balance.
- India has a comfortable foreign exchange reserve (FER). But the FER has a negative growth in 2018-19.

**Table 8****Balance of Payments (US \$ million)**

Sl.No	Item	2014-15	2015-16	2016-17	2017-18
<b>I.</b>	Current Account				
<b>1.</b>	Exports	316545	266365	280138	308970
<b>2.</b>	Imports	461484	396444	392580	469006
<b>3.</b>	Trade Balance (1-2)	-144940	-130079	-112442	-160036
<b>4.</b>	Invisibles (net)	118081	107928	98026	111319
<b>a.</b>	Services	76529	69676	68345	77562
<b>b.</b>	Income	-24140	-24375	-26302	-28681
<b>c.</b>	Transfers	65692	62627	55983	62438
<b>5.</b>	Goods and Services Balance	-68411	-60402	-44098	-82474
<b>6.</b>	Current Account Balance (3+4)	-26859	-22151	-14417	-48717
<b>II.</b>	Capital Account				
<b>7.</b>	Capital Account Balance	89286	41128	36447	91390
<b>8.</b>	External Assistance (net)	1725	1505	2013	2944
<b>9.</b>	External Commercial Borrowings (net)	1570	-4529	-6102	-183
<b>10.</b>	Short-term credit	-111	-1610	6467	13900
<b>11.</b>	Banking Capital (net)	11618	10630	-16616	16190
<b>12.</b>	(of which) Non-Resident Deposits (net)	14057	16052	-12367	9676
<b>13.</b>	Foreign Investment (net)	73456	31891	43224	52401
<b>a</b>	FDI (net)	31251	36021	35612	30286
<b>b</b>	Portfolio (net)	42205	-4130	7612	22115
<b>14.</b>	Other Flows (net)	1028	3242	7460	6138
<b>III.</b>	Errors and Omission	-1021	-1073	-480	902
<b>IV.</b>	Overall Balance	61406	17905	21550	43574
<b>V.</b>	Reserves Change	-61406	-17905	-21550	-43574

Source: Government of India (2019), Economic Survey 2018-19, Vol. II

**Table 9****Foreign Exchange Reserve (US \$ Million)**

<b>End of Fiscal</b>	<b>Gold</b>	<b>RTP</b>	<b>SDRs</b>	<b>Foreign Currency Assets</b>	<b>Total Reserves</b>	<b>Growth (%)</b>
2010-11	22972	2947	4569	274330	304818	-
2011-12	27023	2836	4469	260069	294397	-3.42
2012-13	25692	2301	4328	259726	292046	-0.80
2013-14	21567	1834	4464	276359	304223	4.17
2014-15	19038	1292	3985	317324	341638	12.30
2015-16	20115	2456	1502	336104	360176	5.43
2016-17	19869	2321	1446	346319	369955	2.72
2017-18	21484	2079	1540	399442	424545	14.76
2018-19	23071	2986	1457	385357	412871	-2.75

Source: Government of India (2019), Economic Survey 2018-19, Vol. II Notes: RTP: Reserve Tranche Position in IMF, SDRs : Special Drawing Rights

**Employment per household in India (Table 10)**

- Distribution of households by number of persons employed gives the following
- In 48% of the total households in India only one person employed (rural+urban)
- In 59% of the total urban households in India only one person employed
- In 44% of the total rural household in India only one person employed
- This indicates that nearly half of the households in India depend on one person's employment and income for their survival
- Except a few of the above, all of them are employed in self-employment and casual labour and earn a meagre income.



**Table 10****Distribution of households by number of employed persons aged 15 years and above in India, 2015-16 (%)**

Head	None	1 person	2 persons	3 persons	4 & above persons
<b>Rural</b>	4.0	44.1	32.9	12.4	6.5
<b>Urban</b>	7.5	58.7	25.0	6.7	2.1
<b>Rural + Urban</b>	5.1	48.4	30.6	10.7	5.2

Source: Ministry of Labour & Employment (2016), Report on fifth annual employment – unemployment survey (2015-16), volume I,

**Structure of Employment in India (Table 11)**

A sector wise employment gives the following

- In India, 46% are employed in primary sector (urban+rural)
- Primary sector consists of agriculture, forestry, fishing, mining and quarrying.
- 22 per cent are employed in industry, construction, electricity, gas and water supply (secondary sector)
- 32 per cent are employed in tertiary sector.
- Tertiary sector consists of trade, transport, communications, financing, real estate, community, social and personal services
- In rural India 58% are employed in primary sector – indicates acute economic backwardness
- In rural India 41% employed in non-primary sector
- In urban India 92% employed in non-primary sector
- Lack of non-primary sector employment in rural areas is a basic issue of employment.

**Table 11****Sector wise distribution of employed persons based on NIC 2008 classification in India, 2015-16 (%)**

Approach	Primary sector	Secondary sector	Tertiary sector
<b>Rural</b>			
<b>UPS</b>	58.5	19.5	22.0
<b>Urban</b>			
<b>UPS</b>	7.8	28.9	63.1
<b>Rural+Urban</b>			
<b>UPS</b>	46.1	21.8	32.0

Source: Ministry of Labour & Employment (2016), Report on fifth annual employment – unemployment survey (2015-16), volume I,

### Nature of Employment (Table 12)

- In India, the share of self-employment to total employment is 47% (rural+urban)
- Regular employment consists of wage/salary and contract workers account for 20 per cent.
- Of the total employment, the share of casual employment (workers) account for 33 per cent.
- Lack of adequate regular employment (wage/salary and contract) is the basic problem of employment.
- Due to this nearly two thirds of workers get irregular/seasonal or few days of employment in a year and earn very low income.
- In rural India, the share of regular employment is only 14 per cent
- On the other hand, in urban India, the share of regular employment is 40%

**Table 12**

**Per 1000 distribution of workers aged 15 years and above, usual status in India, 2015-16 (PS+SS) categories**

Head	Self Employed	Wage/Salary (Regular)	Contract Workers	Casual Labour	Total
<b>Rural</b>	491	107	29	374	1000
<b>Urban</b>	412	343	57	187	1000
<b>Rural+Urban</b>	472	162	35	331	1000

*Source: Ministry of Labour & Employment (2016), Report on fifth annual employment – unemployment survey (2015-16), volume I,*

### Unemployment in India (Table 13)

- The unemployment rate, percentage of unemployed to total labour force is very high (6%) (rural+urban)
- The unemployment rate is the highest in 45 years
- The rural unemployment rate is 5.3%
- The urban unemployment rate is 7.7%
- Kerala has the highest unemployment rate (11.4%)
- The states having more than 7% unemployment rate (Assam, Bihar, Haryana, Jharkhand, Kerala, Punjab, Tamil Nadu and Uttarkhand)

**Table 13****Unemployment Rate 2015-16 (15 years & above) Usual Status (PS + SS)**

State	Unemployment rate (%)		
	Rural	Urban	Total
Andhra Pradesh	3.6	6.6	4.5
Assam	8.1	6.3	7.9
Bihar	6.8	9.0	7.0
Chhattisgarh	2.5	7.5	3.3
Gujarat	5.2	4.2	4.8
Haryana	9.2	6.9	8.4
Himachal Pradesh	5.2	8.7	5.5
Jammu & Kashmir	4.3	9.9	5.4
Jharkhand	6.8	10.4	7.5
Karnataka	3.9	6.5	4.8
Kerala	10.0	13.2	11.4
Madhya Pradesh	3.4	7.6	4.3
Maharashtra	3.2	7.4	4.8
Odisha	6.9	8.4	7.1
Punjab	7.6	7.7	7.7
Rajasthan	4.4	7.2	5.0
Tamil Nadu	7.9	6.9	7.5
Uttar Pradesh	5.4	9.5	6.2
Uttarakhand	6.9	9.5	7.6
West Bengal	3.8	6.4	4.6
All India	5.3	7.7	6.0

Source: NSO, Periodic Labour Force Survey 2017-18

**Poverty in India (Table 14 & 15)**

- A monthly per capita consumption expenditure (MPCE) of Rs 972 in rural areas and Rs 1407 in urban areas constitute the poverty line in 2011-12 (Expert group Rangarajan) (Table 4)
- State wise poverty line is available in Table 14
- According to the poverty line 29.5% of the people in India were below poverty line in 2011-12 (Table 15)
- The percentage of rural poor in India was estimated as 30.4% in 2011-12
- The percentage of urban poor in India was 26.4% in 2011-12
- Some states have very high incidence of poverty (more than 40%). The states are Assam, Bihar, Chattisgarh, Jharkhand, MP, Manipur, Orissa and Uttar Pradesh.

**Table 14****State-wise Poverty Line in Rural and Urban areas for 2011-12: Expert Group  
(Rangarajan)**

Sl. No.	States	Poverty Line (Rs. per capita, per month)	
		Rural	Urban
1	Andhra Pradesh	1031.74	1370.84
2	Arunachal Pradesh	1151.01	1482.94
3	Assam	1006.66	1420.12
4	Bihar	971.28	1229.30
5	Chhattisgarh	911.80	1229.72
6	Delhi	1492.46	1538.09
7	Goa	1200.60	1470.07
8	Gujarat	1102.83	1507.06
9	Haryana	1127.82	1528.31
10	Himachal Pradesh	1066.60	1411.59
11	Jammu & Kashmir	1044.48	1403.25
12	Jharkhand	904.02	1272.06
13	Karnataka	975.43	1373.28
14	Kerala	1054.03	1353.68
15	Madhya Pradesh	941.70	1340.28
16	Maharashtra	1078.34	1560.38
17	Manipur	1185.19	1561.77
18	Meghalaya	1110.67	1524.37
19	Mizoram	1231.03	1703.93
20	Nagaland	1229.83	1615.78
21	Orissa	876.42	1205.37
22	Punjab	1127.48	1479.27
23	Rajasthan	1035.97	1406.15
24	Sikkim	1126.25	1542.67
25	Tamil Nadu	1081.94	1380.36
26	Tripura	935.52	1376.55
27	Uttar Pradesh	889.82	1329.55
28	Uttarakhand	1014.95	1408.12
29	West Bengal	934.10	1372.68
	<b>All India</b>	<b>972</b>	<b>1407</b>

Source: Planning Commission (2014), Report of the expert group to review the methodology for measurement of poverty

**Table 15****Poverty Ratio in 2011-12 :Expert Group (Rangarajan)**

<b>Sl. No.</b>	<b>States</b>	<b>Rural % of Persons</b>	<b>Urban % of Persons</b>	<b>Total % of Persons</b>
1	Andhra Pradesh	12.7	15.6	13.7
2	Arunachal Pradesh	39.3	30.9	37.4
3	Assam	42.0	34.2	40.9
4	Bihar	40.1	50.8	41.3
5	Chhattisgarh	49.2	43.7	47.9
6	Delhi	11.9	15.7	15.6
7	Goa	1.4	9.1	6.3
8	Gujarat	31.4	22.2	27.4
9	Haryana	11.0	15.3	12.5
10	Himachal Pradesh	11.1	8.8	10.9
11	Jammu & Kashmir	12.6	21.6	15.1
12	Jharkhand	45.9	31.3	42.4
13	Karnataka	19.8	25.1	21.9
14	Kerala	7.3	15.3	11.3
15	Madhya Pradesh	45.2	42.1	44.3
16	Maharashtra	22.5	17.0	20.0
17	Manipur	34.9	73.4	46.7
18	Meghalaya	26.3	16.7	24.4
19	Mizoram	33.7	21.5	27.4
20	Nagaland	6.1	32.1	14.0
21	Orissa	47.8	36.3	45.9
22	Punjab	7.4	17.6	11.3
23	Rajasthan	21.4	22.5	21.7
24	Sikkim	20.0	11.7	17.8
25	Tamil Nadu	24.3	20.3	22.4
26	Tripura	22.5	31.3	24.9
27	Uttar Pradesh	38.1	45.7	39.8
28	Uttarakhand	12.6	29.5	17.8
29	West Bengal	30.1	29.0	29.7
	<b>All India</b>	<b>30.9</b>	<b>26.4</b>	<b>29.5</b>

Source: Planning Commission (2014), Report of the expert group to review the methodology for measurement of poverty

### **Number of Poor in India in 2011-12 (Expert group-Rangarajan) Table 16**

- The expert group (Rangarajan) estimated the total number of persons below poverty line in India in 2011-12 as 36.3 crore.
- Total number of urban poor was estimated as 10.25 crore in 2011-12
- Total number of rural poor was estimated as 26.05 crore in 2011-12
- State having the largest number of poor is Uttar Pradesh
- The total number of poor people in Uttar Pradesh is estimated as 8.09 crore in 2011-12.

### **Other states having large number of poor according to Expert group (Rangarajan) in 2011-12**

1.Bihar	: 4.38 crore
2.Madhya Pradesh	: 3.28 crore
3.West Bengal	: 2.75 crore
4.Maharashtra	: 2.28 crore
5.Orissa	: 1.95 crore
6.Gujarat	: 1.69 crore
7.Tamil Nadu	: 1.64 crore
8.Jharkhand	: 1.42 crore
9.Karnataka	: 1.36 crore
10.Assam	: 1.29 crore

**Table 16****Number of Poor in 2011-12 : Expert Group (Rangarajan)**

<b>S. No.</b>	<b>States</b>	<b>Rural No. of Persons (lakhs)</b>	<b>Urban No. of Persons (lakhs)</b>	<b>Total No. of Persons (lakhs)</b>
1	Andhra Pradesh	71.5	45.7	117.3
2	Arunachal Pradesh	4.3	1.0	5.3
3	Assam	114.1	15.4	129.5
4	Bihar	376.8	61.4	438.1
5	Chhattisgarh	97.9	26.9	124.8
6	Delhi	0.5	26.3	26.7
7	Goa	0.1	0.8	0.9
8	Gujarat	109.8	58.9	168.8
9	Haryana	18.4	14.0	32.4
10	Himachal Pradesh	6.9	0.6	7.5
11	Jammu & Kashmir	11.7	7.6	19.3
12	Jharkhand	117.0	25.5	142.5
13	Karnataka	74.8	60.9	135.7
14	Kerala	12.3	26.0	38.3
15	Madhya Pradesh	241.4	86.3	327.8
16	Maharashtra	139.9	88.4	228.3
17	Manipur	6.7	6.3	12.9
18	Meghalaya	6.4	1.0	7.4
19	Mizoram	1.8	1.2	3.1
20	Nagaland	0.8	1.9	2.8
21	Orissa	169.0	26.0	195.0
22	Punjab	12.9	18.7	31.6
23	Rajasthan	112.0	39.5	151.5
24	Sikkim	0.9	0.2	1.1
25	Tamil Nadu	91.1	72.8	163.9
26	Tripura	6.1	3.2	9.3
27	Uttar Pradesh	600.9	208.2	809.1
28	Uttarakhand	8.9	9.4	18.4
29	West Bengal	188.6	86.8	275.4
	<b>All India</b>	<b>2605.2</b>	<b>1024.7</b>	<b>3629.9</b>

Source: Planning Commission (2014), Report of the expert group to review the methodology for measurement of poverty

### **Monthly Per capita Consumption Expenditure (MPCE) in 2011-12 (Rs) Table 17**

- Rural average MPCE : Rs 1430
- Rural share of food expenditure : 52.9%
- Urban average MPCE : Rs 2630
- Urban share of food expenditure : 42.6%
- Wide difference in rural and urban MPCE
- In rural areas major share is spent on food expenditure
- Poor consumption levels indicating very poor quality of life is a basic issue in India
- Consumption level of rural people was very low compared to urban people.
- The critical issue in India's development is this vicious circle of rural poverty (Lack of income earning assets/skills and remunerative employment → very low household income → lack of good houses and household amenities → lack of access to good education & health care → inability to afford nutritious food/adequate food and other items of consumption → poor level of consumption → poor quality of life)



**Table 17**

**Monthly Percapita Consumption Expenditure (MPCE) 2011-12 (Rural & Urban)**

<b>State</b>	<b>Rural Average MPCE 2011-12 (in Rs)</b>	<b>Rural share of food expenditure 2011-12 (%)</b>	<b>Urban Average MPCE 2011-12 (in Rs)</b>	<b>Urban share of food expenditure 2011-12 (%)</b>
Andhra Pradesh	1754	51.4	2685	42.3
Assam	1219	61.3	2189	47.7
Bihar	1127	59.3	1507	50.5
Chhattisgarh	1027	52.7	1868	42.2
Gujarat	1536	54.9	2581	45.2
Haryana	2176	52.1	3817	39.2
Himachal Pradesh	2034	47.3	3259	42.4
Jammu & Kashmir	1743	55.3	2485	47.8
Jharkhand	1006	58.4	2018	46.5
Karnataka	1561	51.4	3026	40.1
Kerala	2669	43.0	3408	37.0
Madhya Pradesh	1152	52.9	2058	42.2
Maharashtra	1619	52.4	3189	41.6
Odisha	1003	57.2	1941	45.4
Punjab	2345	44.1	2794	41.0
Rajasthan	1589	50.5	2442	44.8
Tamil Nadu	1693	51.5	2622	42.7
Uttar Pradesh	1156	53.0	2051	44.0
Uttarakhand	1726	49.6	2339	46.3
West Bengal	1291	58.2	2591	44.2
<b>All India</b>	<b>1430</b>	<b>52.9</b>	<b>2630</b>	<b>42.6</b>

Source: Government of India (2019), Economic Survey 2018-19, Vol. II

**Conclusions**

**Effects of Economic Reforms**

- The economic reforms of NDA government based on extreme market oriented policies indicate a major departure from the liberalisation policies pursued by preserving the mixed economic frame work, state intervention in many fronts and measures for rapid reduction of poverty and unemployment.
- The policies have led to speedy transformation of Indian economy promoting large scale producers and destruction of small scale and informal sector units.

- Demonetization has resulted in wide spread destruction of agricultural sector, traditional industries, small scale units (SMEs) and informal sector.
- Distorted implementation of GST had created consider damage to SMEs in secondary & tertiary sectors
- Amalgamation of public sector banks is beneficial to big investors and producers in urban areas, but it resulted in neglect of the rural economy and small scale producers in agriculture and non-agriculture.
- The reform has an anti-inclusive growth approach
- Policies failed to address core social issues such as poverty, unemployment and distribution of wealth in favour of middle and poor class.
- The NDA government has been pursuing policies aiming centralisation in all fronts and totally neglected decentralisation process.
- The economic policies have resulted in alteration of production of wealth and income in favour of corporates and rich at the cost of poor and middle class.
- The policies also failed to address the acute rural backwardness prevailing in many states in India.
- Though a ten point vision is declared, no clear action plan is prepared to implement it. There is no mention about the mobilisation of resources for its implementation.
- Though minimum government intervention is the declared objective, in reality there has been increase in government intervention in all spheres of administration.
- The industrialists and producers feel that the government uses its administrative and tax collection machinery to harass them.
- Attaining five trillion dollar economy by sacrificing the economic interests and employment opportunities of majority of small scale and informal sector workers is not a socially desirable thing.
- Excessive reliance on foreign investment in all fronts at the cost of domestic producers and investors is not desirable.

### **Effects on the Economy**

- The economic reform implemented by NDA government has pushed the economy to a recessionary trend during the last three years.
- There has been a continuous fall in growth rate (Gross Value Added) since 2015-16
- The growth rate registered a continuous fall in all the four quarters of 2018-19
- The growth rate also fell during the first two quarters of the financial year 2019-20
- The latest data on GVA indicate that there is a steep fall in agriculture, negative growth of industrial sector, severe fall in the growth of construction, trade, transport, communication, financial services, real estate etc. The available evidences show that the recession is becoming more acute.
- There has been a rapid increase in the rate of unemployment. The rate is highest in 45 years.
- The economic growth has not succeeded in transformation of the economy generating more jobs in formal sector.
- The proportion of poor to total population remains at high level

- Nearly 30 per cent of the people are below the poverty line in India in 2011-12
- The NDA government has not taken steps even to estimate the number of poor people.
  
- Available data show that the monthly per capita consumption expenditure (MPCE) in rural areas was very low
- The government says that India is emerging as a world economic power with short term target of 5 trillion dollar economy
- But nearly one third of the people live in acute poverty and economic misery with high rate of unemployment and very low levels income and consumption
- Rural India faces acute backwardness

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