Performance of Indian Economy since 2000 – An Evaluation

S.N. Sugumar, M. Ramesh, B. Chithirairajan, S. Thangamayan, S. Chandrachud

Abstract: Growth and development are the fundamental as well as the basic objectives of all the developing countries in the world. On the other hand, maintaining the economic stability is the major goal of all the developed countries. Each nation has her own economic policies so as to develop its economy. The development of a country can be indicated and understood by examining the major economic variables. Increasing real per capita income over a period of time will indicate the economic development of a country. Therefore, the authors made an attempt to evaluate the performance of Indian economy in terms of GNP, general price will indicate the stability of Indian economy and the living standard of people in a country. Therefore, the authorities made an attempt to evaluate the performance of Indian economy in terms of GNP, general price, imports and exports since 2000. As per the analysis on the basis of certain macroeconomic variable, the growth rate of GDP of India was greater than the per capita GDP that indicates the increasing inequality in India in the last two decades. The purchasing power of the people and the value of money are fluctuating and the economy was unstable. India’s GDP share in the world output is insignificant. The growth of imports of India is greater than the export which indicates unfavorable balance of payment in case of India’s international trade.

Key Words: Growth, Development, Per capita income, GDP, Imports, Exports, Inflation.

I. INTRODUCTION

Growth and development are the fundamental as well as the basic objectives of all the developing countries in the world. On the other hand, maintaining the economic stability is the major goal of all the developed countries. Each nation has her own economic policies so as to develop its economy. The development of a country can be indicated and understood by examining the major economic variables. Increasing real per capita income over a period of time will indicate the economic development of a country. International trade balance will indicate the trends of import and export which in turn implies the development of a country. Therefore, the authors made an attempt to evaluate the performance of Indian economy in terms of GNP, general price will indicate the stability of Indian economy and the living standard of people in a country. Hence, the authors made an attempt to evaluate the performance of Indian economy in terms of GNP, general price, imports and exports since 2000.

II. OBJECTIVES

To evaluate the performance of Indian economy in terms of GDP and general price level.

To examine the level of imports and exports of India since 2000.

III. METHODOLOGY

A few macro-economic variables were selected for evaluation. The analysis is completed based on secondary data.

IV. STATISTICAL TOOLS

Simple percentage analysis, correlation, Durbin-Watson Test model are used to evaluate the performance of Indian economy in terms of GDP.

V. HYPOTHESIS (H0)

There is significant relationship between GDP and Per capita GDP in India.
VI. THE TRENDS OF GDP IN INDIA

As per available data (Table 1) the Gross Domestic Product of India constantly increases over a period of time. It was increased from 2277.9 billion US $ in 2000 to 10505.2 billion US $ in 2018. Almost in two decades GDP of India was increased by 10 times whereas the per capita GDP was increased from 2018 billion US $ in 2000 to 7874 billion US $ in 2018. The available data reveal that per capita GDP was increased by 3.9 times for the same period. The growth rate of per capita GDP is much less than the growth rate of GDP in India. The gap between them may be caused by the rapid growth rate of population and it also indicates the increasing income inequality in India. Percentage of GDP of India was 4.16 in 2000 and it was increased to 7.77 in 2018. When compare the growth rate of India’s GDP with the countries in the world, the percentage of India’s share was just doubled but the growth rate of GDP was increased by 10 times. This indicates that India’s GDP increases but its share in the world output is very less and it should be enhanced.

VII. THE TRENDS OF INFLATION IN INDIA

In fact, the inflation rate is very important variable which determine the value of money as well as the purchasing power of the people. Higher the inflation rate lower the value of money and the poorer the purchasing power of people. In the last two decades, on an average the inflation rate was 6.3 per cent and it was highly fluctuating over a period of time. Hence, the value of money and the purchasing power of people will be fluctuating and it indicates economic instability in India.

Table 2 Correlation between Overall GDP and Per capita GDP in India Since 2000

<table>
<thead>
<tr>
<th>Variable</th>
<th>Tools</th>
<th>Overall GDP</th>
<th>Per Capita GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall GDP</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.999</td>
</tr>
<tr>
<td>Sig</td>
<td></td>
<td>.000</td>
<td></td>
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<tr>
<td>N</td>
<td></td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Per Capita GDP</td>
<td>Pearson Correlation</td>
<td>.999</td>
<td>1</td>
</tr>
<tr>
<td>Sig</td>
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<td>.000</td>
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<tr>
<td>N</td>
<td></td>
<td>19</td>
<td>19</td>
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</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

Table 3 DURBIN-WATSON TEST MODEL

<table>
<thead>
<tr>
<th>Model</th>
<th>R Square</th>
<th>R Adjusted Square</th>
<th>Std. Error of Estimate</th>
<th>Change Statistics</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Durbin-Watson</td>
</tr>
<tr>
<td>1</td>
<td>0.98</td>
<td>0.97</td>
<td>974</td>
<td>364.2558</td>
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<td></td>
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<td></td>
<td>974</td>
<td>637.951</td>
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<td></td>
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<td>218</td>
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</tr>
</tbody>
</table>

Table 2 and 3 show the coefficient of correlation between India’s GDP and per capita GDP is 0.99 at 1 percent significant level. It can be inferred from the correlation analysis that there is very high correlation between GDP and per capita GDP in India. It indicates that the per capita GDP increases as the GDP increases and it implies that the growth of population in India is under control and its negative impact on distribution of income is insignificant.

VIII. TRENDS OF IMPORTS AND EXPORTS IN INDIA

The available data indicate that the total exports of India was 1950.29 billion US $ in 2001 and it was increased to 17141.61 billion US $ in 2018. India’s export was increased by 8.9 times in the last two decades whereas the total import of India was increased by 13 times for the same period. The data on India’s exports and imports indicate that the India’s import is greater than export which shows that India’s liability towards foreign countries is increasing and our share in the international market is insignificant and also it is vivid that India’s dependency on foreign countries is increasing and the
The analysis implies that the government of India should evolve appropriate policies to enhance the level of exports, import substitutions and GDP of India. It is also important to have a stable economy along with socially acceptable even distribution of income.

X. CONCLUSION

As per the analysis on the basis of certain macroeconomic variables the growth rate of GDP of India was greater than the growth rate of per capita GDP that indicates the increasing income inequality in India in the last two decades. The correlation coefficient between GDP and per capita GDP indicates that the distribution of income is not influenced significantly by the growth rate of population in India. Table 1 also indicates that India’s share in the international market should be enhanced. Table 2 indicates that the level of India’s exports increase whereas the increasing trend of India’s imports shows India’s dependency on foreign countries. It is also vivid from the table 2 that balance of payment is not favourable to India. The purchasing power of the people and the value of money are fluctuating and the economy was unstable. India’s GDP share in the world output is insignificant. The growth of imports of India is greater than the export which indicates unfavourable balance of payment in case of India’s international trade.

REFERENCES


AUTHORS PROFILE

Dr. S.N. SUGUMAR has taught UG and PG students for 31 years at RKM Vivekananda College, Chennai. At present he is Professor and Head, Department of Economics, VISTAS (VEL University), Chennai. He has guided 10 Ph.D and more than 45 M.Phil students’ successfully and 10 students are pursuing Ph.D under his guidance. He has organized four International Conferences and two Regional Conferences. He has published 16 books and more than 100 articles in the UGC accepted journals, edited books and Scopus index journals on various economic and health issues. He is specializing in Development Economics, Health Economics and Mind Management.

Dr. M.RAMESH has taught UG and PG students for 9 years in Sree Sivagun Annamalai College (Affiliated to Alagappa University), Devakottai. At present he is working as Assistant Professor in the Department of Economics, VISTAS (VEL University), Chennai. He has guided 12 M.Phil. Students and is guiding 1 Ph.D student. He has published 17 research articles in the UGC accepted journals, edited books and Scopus index journals on various economic issues. He is specializing in Environmental Economics, Micro Economics and Fiscal Economics.
Dr. B. CHITHIRAIRAJAN is Assistant Professor, Department of Economics, VELS Institute of Science, Technology and Advanced Studies (VISTAS), Chennai. He has served as the Project Fellow of UGC Major Research Project and Research Associate of ICSSR Major Research Project in Department of Economics, Annamalai University. He has published various articles in Scopus journals, national and international journals also. He has participated and presented papers in various conferences, symposium, workshop in Tamil Nadu and other states.

Dr. S. THANGAMAYAN is serving as Assistant Professor in the Department of Economics, VELS Institute Science, Technology and Advanced Studies Chennai. He obtained his Post Graduate Degree from Arul Anandar College Madurai in 2010. He was awarded Ph.D by Madurai Kamaraj University in 2016 for his thesis on “An Economic Analysis of Growth and Pattern of Public Expenditure in Tamilnadu”. He has published 48 research papers in various reputed Journals and his special areas of research is Fiscal Economics and Development Economics; He was honoured with the “Best Social Scientist” Award in 2019.

Dr. Chandrachud Sivaramakrishnan, Economist, currently serves as a Professor in the Department of Economics, VISTAS, VELS Institute of Science, Technology and Advanced Studies, Chennai, India. Dr. Chandrachud does research in Mathematical Economics, Business Economics, Health Economics and International Economics. He has published 57 research papers and also published 2 books. The new project is with the women entrepreneurship and his on-going is ‘Special Economic Zone.’ He started an economics lab called WISE Lab - world Institute for Scientific Economics Lab. Scopus Author ID – 57195615646 Orcid Author ID- 0000-0002-5635-5172 Researcher ID - G1767-2017. He was the best outgoing student from Madras Christian College during 1995-97 batch and he has been awarded on teacher day for his Ph.D., work during 2017 and received longest service award from VISTAS with cash award during 2018.