Chapter 6

Indian Economy and Various Sectors of the Economy

6.1 Introduction- Indian Economy: A brief overview

This para deals with Indian economy only till 2008. Therefore, we may put the existing writing under sub heading **"Economy till 2008"** and add the following under sub heading **"Economy after 2008"**

Economy after 2008: The global financial crisis of 2008 affected the Indian economy also. Despite various measures taken by the RBI and the Government, the growth rate started declining. The GDP growth, which was 9.2 per cent in 2005-06 and 9.00 per cent in 2006-07, came down to 7.4 per cent in 2007-08 and 2008-09. It continued to decline further and was 7.1 per cent in 2009-10, 6.8 per cent in 2010-11, and 6.5 percent in 2011-12. It dipped to a low of 5.1 per cent in the year 2012-13. During the same period, the inflation escalated to very high levels due to the side effects of the monetary and fiscal measures taken to prevent steep fall in economic growth. The inflation reached a level of around 11 percent for some time. As the global economic crisis eased, the priority of policy makers shifted to containing inflation by control of fiscal deficit and other policy measures. As a result, the inflation came down sharply during 2013-14 to a level of around 6 to 7 per cent. It has continued to decline further in 2014-15 and was 2.38 per cent, based on the official Wholesale Price Index (WPI), in September 2014. It has been in the negative territory since November 2014. The official figure for December 2015 also shows WPI at (-) 0.7 per cent. Inflation control in India has been aided by sharp decline in global commodity prices, especially, the crude oil. Easing of global economic crisis also resulted in revival of growth in India after 2012-13. The GDP figure recorded a growth of 6.6 per cent for 2013-14 and 7.2 per cent for 2014-15. For the first three quarters of 2015-16, the growth has been 7.6, 7.7 and 7.3 per cent respectively. However, the global economic outlook is again getting murky with growth in China showing sharp decline and IMF revising its forecast for global growth. Further decline in crude oil prices seems unlikely and India's exports are declining in absolute terms over last about 12 months. Taking all these factors into account, the economy is expected to grow at 7.1-7.5 per cent during 2015-16, even though the CSO has projected a growth of 7.6 per cent.

Presently, the Indian economy is the seventh largest in the world by nominal GDP figures. By purchasing power parity, it is the third largest in the world. With decline in Chinese growth, the Indian economy has become the fastest growing economy in the world.

6.2- Various Sectors of the Economy:

Indian economy is classified in three main sectors — Agriculture and allied, Industry and Services. Agriculture includes Agriculture (Agriculture proper & Livestock), Forestry & Logging, Fishing and related activities. Industry sector includes Manufacturing (Registered & Unregistered), Electricity, Gas, Water supply, and Construction. Services sector includes Trade, repair, hotels and restaurants, Transport, storage, communication & services related to broadcasting, Financial, real estate & professional services, Community, social & personal. Services.

Services sector is the largest sector of India. **Gross Value Added (GVA) at current prices** for Services sector is estimated at Rs 61.18 lakh crore in 2014-15. Services sector accounts for 52.97% of total India's GVA of Rs 115.50 lakh crore. With GVA of Rs. 34.67 lakh crore, Industry sector contributes 30.02%. Agriculture and allied sector contributes 17.01% and GVA is Rs 19.65 lakh crore.

Real GDP or GDP at constant (2011-12) prices for the years 2014-15 and 2013-14 stands at Rs.105.52 lakh crore and Rs. 98.39 lakh crore, respectively, showing growth of 7.2 per cent during 2014-15, and 6.6 per cent during 2013-14.

At constant prices (base 2011-12), composition of Agriculture & allied, Industry, and Services sector are 16.11%, 31.37%, and 52.52%, respectively in terms of GVA.

The following updated figures need to be incorporated—

Agriculture-

During 2014-15, the share of Agriculture in India's GVA was 17 percent and it employed 49 per cent of the total workforce. India is 2nd largest producer of agricultural products and accounts for about 7.5 percent of total global agricultural output. The 'agriculture, forestry and fishing' sector is likely to show a growth of 1.1 per cent in its GVA during 2015-16, as against the previous year's growth rate of (-) 0.2 per cent. According to the information furnished by the Department of Agriculture and Cooperation (DAC), production of food grains is expected to decline by 0.5 per cent as compared to decline of 4.9 per cent in the previous agriculture year. Production of oilseeds is also expected to decline by 4.1 per cent as compared to decline of 16.0 per cent in the previous agriculture year. However, among the horticultural crops, production of fruits and vegetables is expected to increase by 0.6 per cent during the year 2015-16 as compared to 1.7 per cent in the previous agriculture year. Crops including fruits and vegetables, account for about 61.0 per cent of GDP in 'agriculture, forestry and fishing' sector. Around 39.0 per cent of GVA of this sector is based on the livestock products, forestry and fisheries, which is expected to register a combined growth of above 5.0 per cent in 2015-16.

Industry-

During 2014-15, the share of Industrial sector in India's GVA was 30 percent and it employed 22 per cent of the total workforce. India ranks 12th in the world in industrial output.

Micro and Small enterprises: As per the Annual report 2014-15 of the Ministry of Micro, Small and Medium Enterprises, the MSME sector provided employment to 1114.29 lac people in 2013-14 compared to 805.23 lac people in 2006-07.The share of MSMEs in the GDP of the country increased to 37.5 per cent in 2012-13 from 35.13 per cent in 2006-07.The share of MSME manufacturing output in total manufacturing output of the country came down to 37.33 per cent against 42.02 per cent in 2006-07.

Services-

During 2014-15, the share of Services sector in India's GVA was 53 percent. India ranks 11th in the world in services sector.

6.3- Structural changes in Indian economy;

The following figures need to be added;

Based on constant prices (2011-12 base), during 2014-15, the agriculture sector showed a decline of 0.2 per cent, industry sector growth of 5.7 per cent and services sector growth of 10.3 per cent in GVA terms. During the first quarter of 2015-16, the agriculture sector showed a growth of 1.9 per cent, industry sector 6.4 per cent and services sector 8.6 per cent. During the second quarter of 2015-16, the agriculture sector showed a growth of 2.2 per cent, industry sector 8.3 per cent and services sector 8.0 per cent.

Chapter 7

Economic Reforms

Economic reforms after 2008-09:

The government has permitted foreign airlines to make investment up to 49% in scheduled and non-scheduled air transport services. This is expected to expedite introduction of global best practices, better service standards, and state-of-the-art technologies, in the air transport sector.

To make the foreign investment policy for the broadcasting sector consistent with that of the telecom sector and to attract greater investments, the foreign investment in companies in the business of Teleports, Direct to Home (DTH) Cable Networks and Mobile TV is allowed up to 74%.

In order to promote the power trading exchanges, the government has decided to allow FDI up to 49 per cent in the sector.

The FDI limit in insurance sector has been enhanced to 49 percent.

In defense sector, Foreign investment up to 49% under automatic route has been permitted. Proposals for foreign investment in excess of 49% will be considered by the FIPB.(Foreign Investment Promotion Board)

In plantation Sector, It has been decided to open up Coffee, Rubber, Cardamom, Palm Oil tree and Olive Oil tree plantation sectors to foreign investment, compared to tea plantations only as per the earlier regulation. FDI in plantation sector (including tea) will be permissible up to 100% under automatic route.

In private sector banks, full fungibility of foreign investment has been introduced. FIIs/FPIs/QFIs, can now invest up to sectoral limit of 74%, provided that there is no change of control and management of the investee company.

In December 2012, the Government approved 51 per cent Foreign Direct Investment in multi brand retail sector. This is expected to benefit farmers, as strengthening of back-end infrastructure is expected to significantly reduce the post-harvest loss, especially that of perishable commodities. The clause mandating 30% of sourcing from MSMEs is expected to boost their growth.

In e-commerce, an entity that has been granted permission to undertake single brand retail trade, will be permitted to undertake e-commerce activities.

In the early 2015, the Government further opened up the insurance sector by allowing up to 49 per cent FDI. This came 16 years after this sector was first opened to foreign investors up to 26 per cent.

The Government also opened up the coal industry by passing the Coal Mines (Special Provisions) Bill of 2015. It ended the central government's monopoly over the mining of coal, which existed since nationalization in 1973 and has opened up the path for private, foreign investments in the sector. This could result in huge investments by domestic and foreign miners. The state-owned Coal India Limited will also benefit by it as it will be able to bring in much needed technology and best practices.

The Government has accepted the recommendations of the fourteenth Finance Commission (FC14) for increasing the share of tax devolution to 42 per cent of the divisible pool to the states.

Progress is also made in the areas of administered prices and rationalization of subsidies. Petrol and diesel are now out of the administered price mechanism. LPG subsidy for consumers having income above Rs 10 lac has been scrapped and direct cash transfer of subsidy in consumer's account has been introduced in other cases.

The Government has revised the laws relating to securities and securities market. Earlier, the Indian companies were not allowed to list their securities internationally without first completing an IPO in India. In 2013, these security laws were amended and Indian companies now have the freedom to choose where they want to list first — overseas, domestically, or concurrently. Security laws have been amended to ease overseas listing of already listed companies, to increase the liquidity.

The Forwards Markets Commission has been merged with SEBI to modernize the regulation of commodity forward markets and to ensure that farmers truly benefit from forward markets in agriculture.

Bankruptcy law, reform that brings about legal certainty and speed, has been identified as a key priority for improving the ease of doing business. The government intends to bring a comprehensive Bankruptcy Code in fiscal 2015-16, that will meet global standards and provide necessary judicial capacity. Earlier, the Companies Act 2013, was passed to replace the Act of 1956 to address the needs of the changed times.

The government is determined to institute the GST at the earliest, as a state-of-the-art indirect tax system. It is hoped that this land mark tax reform will finally reach fruition and result into efficiency improvements.

Chapter 8

Monetary Policy and Fiscal Policy

Changes to be made in 8.2--- Tools of Monetary Policy

We have to add the following:

1. **Refinance facilities:** RBI provides Sector-specific refinance facilities aimed at achieving sector specific objectives through provision of liquidity at a cost linked to the policy repo rate. RBI has, however, been progressively de-emphasising sector specific policies as they interfere with the transmission mechanism.

2. Liquidity Adjustment Facility (LAF): It **c**onsists of overnight and term repo/reverse repo auctions. Progressively, the RBI has increased the proportion of liquidity injected in the LAF through term-repos.

3. Term Repos: Since October 2013, the RBI has introduced term repos (of different tenors, such as, 7/14/28 days), to inject liquidity over a period that is longer than overnight. The aim of term repo is to help develop inter-bank money market, which in turn can set market based benchmarks for pricing of loans and deposits, and through that improve transmission of monetary policy.

4. Marginal Standing Facility (MSF): A facility under which scheduled commercial banks can borrow additional amount of overnight money from the RBI by dipping into their SLR portfolio up to a limit (currently two per cent of their deposits) at a penal rate of interest (currently 1% above the repo rate). This provides a safety valve against unanticipated liquidity shocks to the banking system. MSF rate and reverse repo rate determine the corridor for the daily movement in short term money market interest rates. Under the heading "Statutory Liquidity Ratio (SLR)", (page 76), the following changes are to be made;

1. The words "time liabilities" are to be replaced by "demand liabilities" in line 4 and line 7 under this heading.

2. The line, “ At present, the minimum limit of Statutory Liquidity Ratio that is set by the Reserve Bank is 25 percent” Should be replaced by the line, “ At present, the Statutory Liquidity Ratio is 21.5%. However as Reserve Bank of India changes it as and when found necessary, it is important that the reader should find the applicable percentage from time to time from RBI notifications..”

Under the heading “Bank Rate”, (page 77), the following is to be added;

“This rate has been aligned to the MSF rate and, therefore, it changes automatically as and when the MSF rate changes alongside policy repo rate changes.”

Changes to be made in 8.3-------The heading should be, “How did Monetary Policy in India respond to the global financial crisis of 2008?”

Addition to 8.5------- FRBM Act

The following paragraph should be added at the end of the present text;

Amendments to FRBM Act

As the fiscal deficit targets, set in the FRBM Act, could not be met due to the global financial crisis of 2008, the Government had to extend the deadline for the 3 percent target and later suspend it. As per the amendments in 2012, the Central Government had to take appropriate measures to reduce the fiscal deficit, revenue deficit and effective revenue deficit to eliminate the effective revenue deficit by the 31st March, 2015. Vide the Finance Act 2015, the target dates for achieving the prescribed rates of effective deficit and fiscal deficit were further extended. The effective revenue deficit, which had to be eliminated by March 2015, will now need to be eliminated only after 3 years i.e., by March 2018. The 3% target of fiscal deficit, to be achieved by 2016-17, as per the amendments to the Act, has now been shifted to the end of 2017-18. The fiscal deficit target, set by the Government, is 3.9% of GDP for 2015-16 and 3.5% for the year 2016-17. As per the present indications and assertions of the finance minister, these targets will be met. **However, the finance minister, in his budget speech on February 29, 2016, has mentioned about further amendment to FRBM Act, raising doubt about achieving the fiscal deficit target of 3 per cent by March 31, 2018.**

Chapter 9

GDP Concepts

Calculation of GDP in India

The Government has made the following changes in the methodology for computation of GDP, from the financial year 2014-15.

a. Moving from the factor or basic cost method, which took into account the cost of products received by the manufacturers, to market price method, which takes into account the price paid by the consumers.

b. The base year, for calculation of GDP, has been changed from 2004-05 to 2011-12.

c. The data for the new series of GDP is calculated from five lakh companies as against 2,500 companies, earlier.

In India, the Central Statistical Organisation (CSO) computes the GDP. It says that the changed method is more in line with the global practices and it provides a better picture of the economic activities in the country. However, there has been criticism also about the changed methodology. Critics say that the methodology has been changed to present a rosier picture of the economy. Critics have also pointed out that the GDP numbers are not in sync with other economic data such as credit offtake, exports and industrial output, which show that the economy has still not picked up.

Chapter 11

Challenges facing Indian Economy

Para 11.1- Introduction – need to be rewritten as under;

"The year 2014-15 was broadly positive for the Indian economy and the indications, so far, in 2015-16 have been encouraging though the old challenges have not abated completely and some new challenges have come up. The major concerns and challenges faced by the Indian economy, presently, include attaining and sustaining high growth rate, expedite the process of economic reforms reaching financial stability, improving the infrastructure and tackling issues like human development, financial inclusion etc."

Para 11.2- Unique features of the Indian economy – need to be rewritten as under;

Some of the unique features of the Indian economy are as under:

a. Our growth is driven by domestic demand as opposed to the growth in other major emerging economies, especially .China, where the growth is driven by export demand. In India, the share of private final consumption expenditure in GDP, for 2014-15, was 60.1% at current prices and 57% at constant prices (base 2011-12). Savings and consumption rates are also well balanced in India, being around 31 and 35 percent respectively.

b. Current account deficit (CAD): Before the economic crisis of 2008, India was on a path of economic consolidation but got off track because of the counter cyclical spending necessitated by the crisis. Unlike other major emerging market economies (EMEs), which are running current account surpluses, we have recorded deficits on current account. Current Account Deficit (CAD) is a measurement of a country's trade in which the value of goods and services imported exceeds the value of goods and services exported. Our CAD jumped to 4.7 per cent of GDP during 2011-12. The situation has continuously improved since then and CAD for 2014-15 came down to 1.3 per cent of GDP. The crude oil prices play an important role in CAD as India imports a major portion of its requirements of crude oil. Gold imports also play an important role as domestic production is negligible but the consumption is highest in the world.

c. Fiscal deficit: As in the case of CAD, the fiscal deficit also jumped after the global financial crisis of 2008. The target of achieving fiscal deficit of 3 per cent of GDP by March 31, 2008, as per FRBM Act, could not be achieved and the deficit climbed to around 7 per cent in the following years. It has declined since then and the target of 3 per cent is now expected to be met by March 2018.

d. India is essentially a supply-constrained economy. India is utilizing the regime of lower oil and commodity prices to increase investments in infrastructure and irrigation.

Para 11.3 – Concerns – need to be rewritten as under:

The major concerns, facing the Indian economy, are as under:

FIRST CONCERN; Achieving and sustaining higher growth

India successfully handled the shocks of global financial meltdown of 2008 and is on the path of consolidating its position in respect of economic parameters like GDP growth, inflation, fiscal and current account deficits etc. The recent crash in the prices of commodities like crude oil/ natural gas and metals has helped India as we are large consumers and importers of these. However, the global economy, specially the Chines economy, is showing signs of slowdown, adversely affecting our exports which are showing a declining trend since last one year.

India achieved a GDP growth of 7.2% in 2014-15 and though the target for growth in 2015-16 is 7.6%, the indications are that the actual growth will be lower. Though we can boast of having the highest growth rate in the world, we should not forget that our population is also growing at an alarming rate which curtails the per capita growth of GDP to miserable levels. India needs a much higher growth to take care of its growing population. The capital formation has slowed down due to high real interest rate in the economy which perhaps is higher than any other large economy in the world. With inflation being in the negative territory in last many months and the nominal interest rate showing only a small decline, the real cost of credit has increased to very high levels resulting in reluctance to borrow for the purpose of creating capital assets. In fact, the private sector is more worried about paring down its existing debt rather than creating new productive assets.

The monetary authority of the country, viz. RBI, is not able to reduce the policy rates at a faster pace due to the fears of inflation rising again. The challenge facing the economy is to revive the investment cycle now as the inflation seems to have been tamed. The Chief Economic Advisor Arvind Subramanian noted that India is facing a balance-sheet slowdown and It seems imperative to consider the case for reviving public investment as one of the key engines of growth going forward, not to replace private investment but to revive and complement it.

The sustainability of growth is likely to be affected not only by global economic slowdown but also by the concerns relating to ECOLOGY. India has committed to fulfil its part of the global agreement on achieving certain emission and environment degradation standards in next 20 years, which may result in increasing the cost and reducing the availability of conventional energy sources. However, these climate change initiatives also offer opportunities in development of new technologies, improving process efficiencies, maintaining bio-diversity and improving heath prospects.

Strengthening the manufacturing capability of the country is another challenge faced by the economy. The share of manufacturing in GDP is only about 15 per cent in India, compared to 32 per cent in China. The growth in India is skewed in favour of the services sector and the share of manufacturing is stagnant. The "Make in India" initiative of the Government is expected to address this concern to some extent.

SECOND CONCERN; Expedite the process of economic reforms

Economic reforms are crucial for sustainable growth and development. Crucial reforms in the areas of land procurement, taxes, labour, foreign investment and energy are pending due to political bickering and other issues. One such example is the Land Acquisition Act amendment bill for which an ordinance was promulgated by the government which ultimately expired due to political disagreement. The Goods and Services Tax (GST) bill is pending since last many years due to the same reason despite most people agreeing about its economic benefits. India needs to liberalise norms for foreign investment by opening up more areas and increasing the foreign holdings to take advantage of foreign capital and technology. There is also a need to amend the labour laws which are mostly outdated in the present circumstances.

For example, a firm employing more than 100 people cannot fire workers without government permission. This results in discouraging the firms from expanding to over 100 people. It also discourages foreign investment. We also need to simplify procedures and relax entry barriers for business activities. The energy sector also needs reforms to attract more investment in exploration of oil and gas, as also in the field of power generation and distribution where understanding between the center and state governments in necessary.

Boosting agricultural growth through diversification and development of agro processing is vital for Indian economy as it provides employment to a large population but its share in the overall economy has been declining continuously. Agriculture sector is the most ineffective sector of the economy and the reforms in the past have proved to be extremely slow. Reforms in the field of subsidies have seen some progress with the pricing of petrol and diesel becoming market oriented. But a lot is still to be done in the field of food and energy subsidies for which there seems to be a lack of political willingness, at present.

Another area which needs rapid reforms relates to strengthening of public sector institutions. As substantial human, infrastructure and capital resources have been invested in these institutions, an enhancement in their efficiencies can contribute significantly to economic objectives of the country. Privatisation of inefficient and loss making public enterprises is also an area in which progress has been very slow in the past.

Reforms in the field of infrastructure are needed to develop basic infrastructure for improving lives of rural poor and boost economic growth. Much needs to be done in the areas of civil aviation, telecom, banking and insurance sectors on the reforms front. India is one of the fastest growing e-commerce markets in the world and there is need for its comprehensive reform and regulation

The importance of reforms can be gauged by the fact that India is ranked 130th out of 189 countries in "ease of doing business Index", as per the World Bank's report of 2015. It is ranked among the 10 worst in the world in terms of dealing with construction permits and enforcing contracts.

THIRD CONCERN; Attain financial stability

As a result of the discipline imposed by the Financial Responsibility and Budget Management (FRBM) Act 2003, the Center's fiscal deficit came down from 6.2 per cent of GDP in 2001-02 to 2.7 per cent in 2007-08. India's response to global financial crisis of 2008 included providing stimulus to the economy resulting in sharp jump in the fiscal deficit which shot up above 7 per cent in the following years. With great efforts and financial discipline, this was brought down to 4.1 per cent during 2014-15.

The effective revenue deficit which had to be eliminated by March 2015, as per the amendment to FRBM Act, will now take many more years for elimination. The 3% target of fiscal deficit, to be achieved by 2016-17, has now been shifted to the end of 2017-18. The fiscal deficit target, set by the Government, is 3.9% of GDP for 2015-16 and 3.5% for the year 2016-17. As per the present indications and assertions of the finance minister, these targets will be met. However, not all economists agree with the choice of reducing fiscal deficit at a fast pace. They ask the questions: "How do you raise public investment without a substantial fiscal deficit? How do you raise more money without just printing it?" These questions deserve attention in view of the present indications of global slowdown and a probable financial crisis.

On the other hand, if the fiscal deficit allowed to bloat, it may it may trigger the inflationary pressures in the economy, yet again. Higher deficit may add to the macroeconomic vulnerability especially at a time when global conditions demand maximum safety. On expenditure side, the fiscal deficit pressure will build up from 2016-17 onwards due to implementation of recommendations of 7th pay commission and OROP (One Rank One Pension) scheme. Also, the Central Government will have to transfer a higher share of resources to the states in terms of recommendations of the 14th Finance Commission. While resource transfer is not necessarily bad for growth since it merely shifts spending from Centre to States, the efficiency of public spending remains doubtful.

For public investments to rise in the critical areas like infrastructure, while containing the fiscal deficit within reasonable limits, the Centre will need more resources from unconventional sources or cutting unproductive expenditure. A beginning has been made by the Government by introducing direct transfer of LPG subsidy in consumer's bank account and eliminating subsidy for consumers having annual income above Rs. Ten lac.

Tackling rural distress is another challenge in achieving the fiscal consolidation. Due to inadequate monsoon in last two years and crop damages in many parts of the country due to untimely rains, large resources had to be diverted to mitigate rural distress, manifested by increased cases of farmers' suicides. Agricultural growth has been poor and the slowing rural income has hurt consumption demand. It is also contributing to already stressed banking sector in the form of non-performing assets. Recapitalisation of public sector banks requires allocation of huge resources by the government and finding these resources will be a challenge.

India has a poor record of competing in global markets. India accounts for about 1.5 per cent of exports and about 2.per cent of imports for merchandise trade and about 3.5 per cent of exports and imports for commercial services trade worldwide. Our exports have been declining since last many months. The slow pace of growth in exports, in the past, has put pressure of the Current Account Deficit (CAD) of the country which sharply since the global economic crisis of 2006. CAD, which was 1.3 per cent of GDP in 2006-07, rose continuously and reached 4.7 per cent in 2011-12. With the revival of global growth and initiatives of our policy makers, the CAD declined thereafter. It was 1.7 per cent in 2012-13, 1.4 per cent in 2013-14 and 1.3 per cent in 2014-15. The trend so far indicates that it will be less than 1.3 per cent of GDP for 2015-16. The big challenge, facing the economy on this front, is to increase the competitiveness of exports and manage the deficit if the crude oil prices start moving up from their extremely low level today.

FOURTH CONCERN; Improve the infrastructure

Infrastructure sector is a key driver for the Indian economy. Lack of infrastructure and its poor quality, be it power generation or distribution facilities, roads, ports, railways, airports, irrigation facilities, access to telecom infrastructure or even basic housing and sanitation infrastructure, has long affected the Indian economy. .It is estimated that inadequate infrastructure acts as a major barrier to FDI, hinders the objective of Inclusive development, and retards GDP growth by about 2 per cent. Acceleration of growth from 5.6 per cent per year achieved in the 1980s to levels of above 7 per cent has generated a massive demand for infrastructure services, such as power, roads, ports, railways and telecommunications. Since India is striving for a high growth rate in future and also achieve global competitiveness, there will be strong pressures to improve both the quantity and the quality of infrastructure services.

Developing world-class infrastructure for sustaining growth in every sector of the economy is a herculean task and, therefore, the public sector will continue to play a dominant role in the area and will have the ultimate responsibility of meeting the demands. However, the private sector has played a very significant role in this area and this role is likely to get expanded through the policy initiatives of the government. In the last ten years, considerable private investment has been made into the infrastructure sectors; first in telecommunications, then in ports and roads, and in individual projects in other sectors.

India is witnessing significant interest from international investors in the infrastructure space. According to the Department of Industrial Policy and Promotion (DIPP), foreign direct investment (FDI), received in construction development sector from April 2000 to September 2015, stood at US$ 24.16 billion. But this is a small amount looking to the fact that India needs more than US$ 450 billion to be spent on infrastructure development over the next five years. Finding resources for this is a big challenge for the Indian economy. The Government is taking various initiatives to boost the infrastructure sector. Some of the recent initiatives of the Government include:

a. Rs 50,000 crore (US$ 7.5 billion) have been earmarked to develop 100 smart cities across the country.

b. The Government has unveiled plans to invest US$ 137 billion in country's rail network over the next five years.

c. The Government has announced highway projects worth US$ 93 billion with total investment of US$ 45 billion over next three years.

d. Government of India plans to launch the National Infrastructure Investment Fund (NIIF) with an initial corpus of at least Rs 40,000 crore (US$ 6 billion).

e. The Government has rolled out stuck projects worth Rs 4 lakh crore (US$ 60 billion) in the six months ending November 2015.

f. The Government has approved several reforms such as allowing National Highways Authority of India (NHAI) to extend the concession period for current incomplete projects.

g. FDI norms have been relaxed. The Reserve Bank of India (RBI) has notified 100 per cent foreign direct investment (FDI) under automatic route in the construction development sector with effect from December 2014.

h. Outlay for infrastructure has been increased in the union budget and National Infrastructure Investment Fund (NIIF) with an initial corpus of at least Rs 40,000 crore (US$ 6 billion).is planned.

i. The Government intends to award 100 highway projects under the public-private partnership (PPP) model in 2016 It is expected that this would revive investor sentiments in PPP projects in the infrastructure sector. PPPs provide an option to supplement scarce public resources and improve efficiencies without necessarily transferring ownership to the private sector.

Infrastructure output growth for the first few months of the financial year 2015-16 has shown a healthy trend. .However, the widening gap between demand and supply of infrastructure raises questions about the sustainability of economic growth in future and poses a big challenge for the policy makers.

FIFTH CONCERN; tackling issues like human development, financial inclusion etc.

The demographic factors in India provide both opportunities and challenges for the economy. It is estimated that the working age population in India will become about 64% in next five years with the average age of about 29 years. India's middle class is expected to be 200 million by

2020. Improving the quality of education is necessary to provide education, skill and employment to all for which higher investment is required. India needs to improve its Human Development Index (HDI) which is at 134 and is below many other developing countries' performance. As major gaps exist in quality and availability of teachers, both in rural and urban areas, for which a massive effort and investment is needed.

Providing entrepreneurial opportunities to the youth of the country is also crucial to achieve the aim of maximum employment The Government has taken several steps to encourage and facilitate "Start-ups" in the country to provide opportunities for fulfilling the aspirations of the youth. The task is huge and challenging. Gender inequality is another important aspect posing the difficulty in achieving fast human development. A large portion of Indian population is not able to contribute its might towards the economic development due to gender bias prevailing in the society. To improve the awareness and change the attitudes, community based programmes and media advertisements are required on a massive scale.

Another issue plaguing the Indian economy is that of financial inclusion. A large section of the population remains secluded from the financial main-stream of the economy despite relentless efforts of RBI and the Government over last fifteen years. This has proved to be an avoidable hurdle in expediting the economic development, and eliminating poverty and inequality. The new initiatives include schemes like Jan Dhan Yojana and Insurance schemes which are expected to provide a boost to the efforts of financial inclusion. However these efforts should not go dormant. Effective implementation and follow-up only can ensure success. India successfully rolled out the world's largest financial inclusion initiative under which around 185 million bank accounts have been opened.