

Unit 32. Indian Economy : Growth, Development and Employment



Growth, Development and Employment : A discussion on growth should begin from the definition of growth. Growth in economic terms corresponds to the increase in GDP (national income). [*GDP is the money value of goods and services produced in an economy. So, in layman's terms, growth means more money. Wow! that's simple, right?*] So how can a country grow, or increase its national income?

The above question cannot be solved with a one-word answer. Had that been the case, our Honorable finance ministers would have been always enjoying a pleasure tenure. A country cannot increase its national income by printing currencies or borrowing money from abroad. As Prime Minister Manmohan Singh once said, "Money does not grow on trees". For a country to grow, it has to produce more goods and services. For that purpose, optimum utilization of resources within the boundaries of nation is essential. Of-course, the funds can come from abroad (foreign investment), but without proper utilization of resources in a country, there cannot be a sustainable growth.

Growth and Development

When the national income increases (growth), ideally it should result in development (qualitative aspect – like health, education, employment etc). There can also be cases when growth does not percolate to the bottom of the pyramid – noninclusive growth – that will not result in the development of weaker sections of the society. For a sustainable development, inclusive growth is a must.

Growth and Employment



Growth generates employment and employment generates further growth. In general, employment corresponds to the qualitative aspect of growth. If a country is on the growth trajectory, it will generate more employment opportunities and while the growth declines (periods of recession), people start losing jobs.

Back to the growth topic again...

How to generate growth? What are the issues in growth, development and employment? Is India growing? Are there issues with India's growth or development? – There should not be any doubt about the fact that India is growing. India is now growing at 5% per year. But the problem with India is that it was growing at near 9% three years back! So the growth has declined – That is the first issue with our growth.

Issues in India's growth, development and employment:

- India's growth is declining. (currently at 5%).
- India's growth is largely contributed by service sector. There is stagnation in the manufacturing sector.
- Indian agriculture is still heavily dependent on monsoon. Nearly 50 % of population dependent on agriculture which contributes only 14% of GDP.
- For a country to grow, there should be investment in productive areas. There should also be supporting infrastructure. Currently India has issues in both.
- Due to external and internal factors, there is decline in foreign investment. This is widening our Current Account Deficit.
- For providing welfare schemes, subsidies and defense expenditure, India is borrowing. The Fiscal Deficit of India is enlarging.
- India's export sector is not growing in accordance with the demands of import goods.
- Growth is not entirely inclusive. There are still a significant portion of people below poverty line.
- There are issues with employment too. Though the unemployment rate is in single digit now, most of the employment in India is disguised unemployment. (In agricultural sector). The average salary and per-capita income of Indians are very low.



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