

Unit 61. Indian Economy Overview: Primary, Secondary and Tertiary Sectors



A clear understanding of Indian Economy can help you in more than one way. As almost every problem has an economic angle, knowledge on the performance of various sectors of Indian Economy gives you always an opportunity to see things in a wider perspective. Having posted many articles on the economics, covering topics like basic concepts, inflation, fiscal policy, monetary policy etc., we now focus on Indian Economy overview. PS: Our next set of articles in this category will cover sub-sectors like Banking, IT, Biotechnology, Agriculture etc in detail.

Sectors of Indian Economy

- Three sectors – Primary, Secondary and Tertiary.
- Primary = Agriculture related.
- Secondary = Industry related.
- Tertiary = Service related.
- Sector share towards GDP : Tertiary (60%)> Secondary (28%)> Primary(12%).
- Sector share by working force : Primary (51%)> Tertiary (27%) > Secondary (22%)>

India as an investment destination

India is the most attractive investment destination in the world, according to a survey by global consultancy firm Ernst & Young (EY). Organisation for Economic Co-operation and Development (OECD) projections on growth rate of India are 3.4 per cent for 2013-14, 5.1 percent in FY 2014–15 and 5.7 per cent in FY 2015–16. The HSBC Trade Confidence Index, the largest trade confidence survey in the world, has positioned India at the top with 142 points. The increasing demand due to its population makes the country a good market. Sectors projected to do well in the coming years include automotive, technology, life sciences and consumer products.

Indian Exports: India's exports have also been doing well, touching US\$ 303 billion in FY 2012–13, almost double of what it managed (US\$ 167 billion) four years ago. The US\$ 1.2 trillion investment planned for the infrastructure sector in the 12th Five-Year Plan will go a long way in improving export performance of Indian companies and the Indian growth story.

Indian GDP: India is the third biggest economy in the world in terms of GDP measured at purchasing power parity (PPP), according to a World Bank report. India is also projected to become the third largest economy (Nominal GDP) in the world by 2043.

Indian Economic Scenario and Growth Potential

India's industrial economy is gathering momentum on the back of improved output of eight core sector industries – coal, crude oil, refining, steel, cement, natural gas, fertilisers and electricity. Some of the important economic developments in the country are as follows:

- Indian companies have been signing many private equity (PE) deals, registering substantial increase from previous years.
- Indian corporates have also been raising significant amount through commercial papers (CPs).
- The cumulative amount of FDI equity inflows into India were worth around US\$ 300 billion in the 2000–2014 period.
- The estimated value of FII holdings in India stands at US\$ 279 billion.
- IT spending by the Government of India is growing 7 per cent year-on-year, according to a report by research and advisory firm Gartner.
- India's IT-business process outsourcing (BPO) industry revenue is expected to cross US\$ 225 billion by 2020, according to a Confederation of Indian Industry (CII) report, titled 'The SMAC Code-Embracing New Technologies for Future Business'.
- General Electric (GE) plans to make India a manufacturing hub for its global markets due to its huge talent pool and lower manufacturing costs. The company's upcoming plant at Chakan, Maharashtra, is the first major step towards this direction.
- Public cloud services market in India is expected to grow by 37.5 per cent to touch US\$ 434 million.
- Garments exports from India have increased by 31 per cent to touch US\$ 1.19 billion year-on-year (y-o-y) in 2013, on back of increased demand from all major markets, including the US and the European Union (EU).
- The interest for costume jewellery is on the rise and costume jewellers estimate that they have clocked 20–30 per cent growth in the current fiscal. The industry size is expected to touch Rs 150 billion (US\$ 2.40 billion) by December 2015, as per an industry body.
- The number of millionaires in India is expected to reach 300,000 by 2018 from about 182,000 currently, according to the global wealth report released by the Credit Suisse Research Institute. Wealth per adult in India has risen by 135 per cent from US\$ 2,000 in 2000 to US\$ 4,700 in 2013, at an average annual rate of 8 per cent.
- India added about US\$ 17.6 billion worth of value domestically in 2012 by processing and fabricating gold bars and coins.
- The Life Insurance Council (LIC), the industry body of life insurers in India, has estimated the sector to record a compound annual growth rate (CAGR) of 12–15 per cent over the next five years.

- The total number of registered micro, small and medium enterprises (MSME) in India recorded a 19 per cent growth in FY 2011–12, according to the Ministry of MSME's annual report for FY 2012–13.
- Agricultural gross domestic product (GDP) in India is expected to grow by over 5 per cent.

Government Initiatives to Boost Indian Economy

1. **Frame work for Investments by RBI:** In a bid to bring more investments into India's debt and equity markets, the Reserve Bank of India (RBI) has set up a framework for investments which will enable foreign portfolio investors to take part in open offers, buyback of securities and disinvestment of shares by the Central and State governments.
2. **Opening up Insurance sector:** FIIs and non-resident Indians (NRIs) will now be able to invest in the insurance sector, within the 26 per cent cap on FDI. DIPP confirmed in a press note that the norms would also apply to insurance brokers, third-party administrators (TPAs), loss assessors and surveyors. The investments can be made through the automatic route.
3. **Promotion of SMEs:** The Government of India along with the industry has been working towards fashioning a more dynamic environment for small and medium enterprises (SMEs) and startups over the last few years. Indian SMEs employ about 40 per cent of the country's workforce and contribute 45 per cent to the overall manufacturing output. A positive policy framework allied with the growth of angel funds and a vibrant entrepreneurial culture is contributing to the growth of first generation entrepreneurs in the country.
4. **Infrastructure:** The Cabinet Committee on Investments (CCI) under UPA government had approved the speedy execution of 36 infrastructure projects entailing investments of Rs 1,830 billion (US\$ 29.28 billion) to boost investor confidence.

Road Ahead

With the objective of taking bilateral trade relations to the next level of a comprehensive economic partnership agreement, India is readying itself to sign the free trade agreement (FTA) on services and investment with the Association of Southeast Asian Nations (ASEAN). The target for the two-way trade partnership is US \$100 billion by 2015, for which an integrated transport network is necessary. Thus, the emphasis is on a massive road connectivity plan to tie the region together to enhance economic objectives.

References: Ministry of Finance, Press Information Bureau (PIB), Media Reports, Indian Brand Equity Foundation (IBEF), Department of Industrial Policy and Promotion (DIPP), Securities and Exchange Board of India (SEBI) etc.



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