

GUPTA **CLASSES**

Useful For :

IAS, UPPSC, UKPSC, RO/ARO, GIC, CAPF,
NDA, BANK, SSC, CDS, AF-CAT, RBI etc.

ECONOMY

Session 1

India - A Superpower in Making



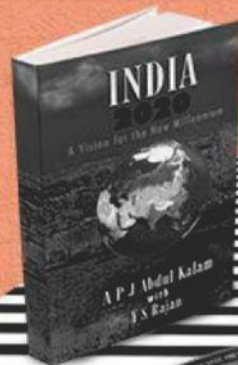
GUPTA **CLASSES**

Course structure – Economy Cracker

1. India – a Superpower in making	1	19. Indian Banking System and RBI – Part 1	7
2. Important definitions & concepts – 1		20. Indian Banking System and RBI – Part 2	
3. Important definitions & concepts – 2		21. Rural and agricultural economy in India	
4. Important definitions & concepts – 3	2	22. India – Taxation system – Part 1	8
5. Important definitions & concepts – 4		23. India – Taxation system – Part 2	
6. Important definitions & concepts – 5		24. Sovereign decision-making and Ratings	
7. Economic history of India - Part 1	3	25. Income, Wealth, Poverty and Demographics - Part 1	9
8. Economic history of India - Part 2		26. Income, Wealth, Poverty and Demographics - Part 2	
9. Economic history of India - Part 3		27. Economic and Social Development in India	
10. Understanding GDP, GVA and PCI - Part 1	4	28. Indian corporates - structure and working - part 1	10
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12. Indian National Output – Deeper issues		30. Issues in inclusive development	
13. Consumer markets in India	5	31. Union Budget & Economic Survey - Part 1	11
14. Capital markets in India (stock markets)		32. Union Budget & Economic Survey - Part 2	
15. Debt markets in India (bond markets)		33. Union Budget & Economic Survey - Part 3	
16. FDI, FPI and Investments in India - Part 1	6	34. Cryptocurrencies and Concept of Money	12
17. FDI, FPI and Investments in India - Part 2		35. Investment – basic concepts and avenues	
18. India and the World economy		36. Future of Indian Economy – 2021-2030	



*'India is mere two decades
away from super-power status'*



Subramanian Swamy
@Swamy39

By next Deepavali we patriots will have much to celebrate. By 2020 India would have overtaken China, and economically challenge US. Jai Hind

5:54 AM · Nov 13, 2012 · Twitter Web Client



India was to be a superpower by 2020

- **In the early 2000s, it was predicted that in two decades India would become a superpower – economic and otherwise**
- **As years have gone by, that prediction has become more and more difficult to achieve, though most Indians would hope it were true**
- **In 2020, the Indian economy was already in the grip of a major slowdown when COVID-19 struck**
- **Today, India is facing the humongous challenge of a shrinking economy, rising poverty and aggressive neighbours**
- **The predictions had started in 1998, when Dr APJ Abdul Kalam and YS Rajan co-authored a book called *India 2020: A Vision for the New Millennium***
- **There were two major assumptions made – that more and more women will be part of the economic workforce each year, and poverty would soon vanish**
- **Both predictions have gone spectacularly wrong with time**

भारत को 2020 तक महाशक्ति बनना था

- 2000 के दशक की शुरुआत में, यह भविष्यवाणी की गई थी कि दो दशकों में भारत एक महाशक्ति बन जाएगा - आर्थिक और अन्यथा
- जैसे-जैसे वर्ष बीतते गए, यह भविष्यवाणी अधिक से अधिक कठिन हो गई है, हालांकि अधिकांश भारतीय उम्मीद करेंगे कि वह सच था
- 2020 में, भारतीय अर्थव्यवस्था पहले ही एक बड़ी मंदी की चपेट में थी, जब COVID-19 का हमला हुआ
- आज, भारत एक सिकुड़ती हुई अर्थव्यवस्था, बढ़ती गरीबी और आक्रामक पड़ोसियों की चुनौती का सामना कर रहा है
- भविष्यवाणियों की शुरुआत 1998 में हुई थी, जब डॉ. एपीजे अब्दुल कलाम और वाई.एस. राजन ने *इंडिया 2020: ए विजन फॉर द न्यू मिलेनियम* नामक पुस्तक का सह-लेखन किया था।
- दो प्रमुख धारणाएँ बनीं - कि अधिक से अधिक महिलाएँ प्रत्येक वर्ष आर्थिक कार्यबल का हिस्सा होंगी, और गरीबी जल्द ही मिट जाएगी
- दोनों भविष्यवाणियाँ समय के साथ गलत हो गई हैं

'No Indian will be below poverty line by 2020'

The first thing that strikes one about Dr APJ Abdul Kalam and Dr YS Rajan's book, *India 2020: A Vision for the New Millennium* (Penguin-Viking) is its positive tone. Seldom does one, in these troubled times, see such a lucid marshalling of facts and figures to bolster the thesis that India is a mere two decades away from super power status.

Sitting in his South Block office surrounded by models of Prithvi and Agni missiles, the Arjun tank along with a bust of the mathematician Srinivas Ramanujan, Abdul Kalam, 65, insists that technology holds the key to usher in such a revolution. India needs to enhance its pool of indigenous technology which will serve as a spring board for change. A man who has always believed in team work, he insists that every reply he gives is further elaborated upon by his colleague and co-author Dr Rajan who has put in a long innings with the Indian Space Research Organisation. Excerpts from an interview with Rashmi Sehgal:

Q & A \ APJ Abdul Kalam

Q: What led you to write this book?

A: We were both born before Independence. We both believe that the seedling for independence took place in 1857. The first vision of the nation state of India began to emerge somewhere during that period. When the vision was accepted, the dynamics to free the country were set in place.

It took us 90 years to gain our freedom. But the crucial point is that these years were able to throw up the best of leaders whether in the fields of technology, industry, philosophy or political life. People like JRD Tata, JC Bose, CV Raman, Sarvapalli Radhakrishnan and a gamut of political leaders all came to the forefront at that time. It was the vision that created the leaders. And it was their far-sightedness that helped us work towards gaining self reliance in many

areas.

The sixties saw a change come about in our body politic. As a nation we became adrift without any goals and a galloping population to match. We now believe the time has come for the nation to be presented with a second vision whereby we can graduate from a developing to a developed nation. Technology will provide the tool to bring about this transformation.

Five years ago, I was made chairman for the Technology Information Forecasting and Assessment Council which is an autonomous society. We shortlisted 500 areas and asked 5000 senior people in the field of academia, industry, research, medicine etc., to provide us with inputs in their respective fields. I was also able to interact with people from all walks of life. Not all sectors could be addressed in this book; rather we decided to



concentrate on core strengths.

Your book has an extremely positive tone but this is not reflected in our day-to-day life. What makes you feel so optimistic?

There are day-to-day irritants in any society but in order to gain a perspective on what should be the vision of a nation we have to study long term trends.

What we have attempted to do is zero in on our core strengths. Only five or six years ago, would people have believed that India would be able to develop one billion dollars worth of software? We have focused on certain prime areas in which we have done well despite our problems. To list some of these areas, our food productivity has increased; today we can launch our own communication satellites; we have our own remote sensor devices; we can build our own nu-

clear reactors; develop nuclear medicine; create energy from nuclear power; in the defence sector we can build our own missiles; our own battle tanks, build our own electronic warfare systems; and last but not least, in the areas of information technology, our software and hardware systems enjoy international standing.

What about the problems of unemployment, disease, illiteracy and poverty? Your book has mentioned that twenty years down the line we will be importing food items.

Despite these problems, we believe we will be able to regenerate ourselves. On the issue of food imports, we have quoted predictions made by some experts that the coming years will see us import food grain to the tune of fourteen million tonnes. But we have also quoted other agricultural experts who claim we will be able to reach a production target of 300 million tonnes of food grain within this time span.

We are confident that poverty will be substantially reduced and that no Indian will be living below the poverty line by 2020. We believe that once food and job availability increase, this will have a triggering effect on the whole economy. We also believe this can be achieved without huge capital investments and have elaborated

on this in our book.

Have you taken into account the political volatility that has been caused by a successive series of coalition governments? What about the bureaucratic inertia and bungling?

If you read the last paragraph of the last chapter of our book, you will find us pointing out that whatever maybe the political ideology of the government of the day, there is no dispute about our desire to become a developed nation. It is an accepted goal for the nation. Once the missions in different areas are in place, people will work for change. This is not something out of the realm of possibility.

During an interaction with school children in Hyderabad, I asked a young girl what was her dream for India. She replied, 'Uncle, I want to live in a developed India.' We have dedicated our book to her.

Another aspect stressed in your book is the need to develop self-reliance.

Merely importing technologies from outside will not bring about prosperity. In order to become a prosperous nation, we must develop designs that can be used commercially. The developed nations put constraints on the transfer of technology. We are also advocating joint development of technologies. Nowadays a given product is often put through ten to fifteen different technologies. This is true in most sectors ranging from engineering or software. The emphasis should be on working jointly. Take the example of a resource like titanium in which we have tremendous re-

serves. This raw material can be used to develop our industries by entering into a series of collaborative ventures. It is the same in the area of health. We have a population of one billion people. Joint ventures must be undertaken for commercialisation of important medicines and for development of newer vaccinations.

Your book has also mentioned that national economies that are overly dependent on exports can run into trouble?

Many South East Asian nations have faced economic upheavals but India has a much more balanced philosophy. We cannot forget that our domestic market is a great stabiliser. Take the example of Japan where technology import and export are balanced.

You have been quoted as saying strength respects strength. Was there a need to explode the nuclear devices and what was the need to do so at that particular time. By doing so has our country emerged any the stronger?

A nation's national strength has two components — economy and national security. They are both inter-related and flow from the technologies available within a country. I have never said that defence alone will provide superior strength. When our Prime Minister has stated that there will be no further tests, our mission objective had been achieved. One thing I want to say as a criticism. I do not want any country to tell me, especially the G-5 nations, what my country should do in order to build its own security umbrella. Security is a prime need but every nation must decide this for itself.

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- **The belief that India was just about to be a developed industrialised economy and superpower, was believed by many in early 2000s**
- **The 2002 PM Independence Day speech argued that the aim of the government was to “make India a developed nation by 2020”**
- **The Planning Commission delivered a report in 2002 titled “India Vision 2020”**
- **The report acknowledged the “vision of Dr. A.P.J. Abdul Kalam’s book, India 2020: A Vision for the New Millennium”**
- **Today we know how extra-optimistic these estimates have been, as none of those expectations stand fulfilled**

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- यह विचार कि भारत एक विकसित औद्योगिक अर्थव्यवस्था होने वाला था और महाशक्ति भी, पर 2000 के दशक की शुरुआत में कई लोगों द्वारा विश्वास किया गया
- 2002 के स्वतंत्रता दिवस भाषण में प्रधानमंत्री ने तर्क दिया था कि सरकार का उद्देश्य "भारत को 2020 तक एक विकसित राष्ट्र बनाना" था
- योजना आयोग ने 2002 में "इंडिया विजन 2020" शीर्षक से एक रिपोर्ट दी
- रिपोर्ट में डॉ. ए.पी.जे के दृष्टिकोण को स्वीकार किया गया जो कलाम की पुस्तक, इंडिया 2020: ए विजन फॉर द न्यू मिलेनियम में थी
- आज हम जानते हैं कि ये अनुमान कितने आशावादी थे, क्योंकि उनमें से कोई भी उम्मीद पूरी नहीं हुई

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- **Planning Commission Report got it spectacularly wrong**
 - **India will move from a low-income country to an upper-middle-income country (India has not)**
 - **India's female adult literacy rate will be 94% by 2020. Latest figure is at only 70% (male rate is 84%)**
 - **Infant mortality will be 22.5 per 1000 births (Vision 2020). But latest figures from 2017 have it at 33, well above global average**
 - **Child malnutrition based on weight for age will be only 8% (reality – 32.7%)**
 - **India in 2020 was one of the most malnourished societies**

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 - भारत निम्न-आय वाले देश से ऊपरी-मध्यम आय वाले देश में चला जाएगा (ऐसा नहीं हो पाया)
 - 2020 तक भारत की महिला वयस्क साक्षरता दर 94% होगी। नवीनतम आंकड़ा केवल 70% है (पुरुषों का 84% है)
 - शिशु मृत्यु दर प्रति 1000 जन्म पर 22.5 होगी (विजन 2020)। लेकिन 2017 के नवीनतम आंकड़ों में यह 33 है, वैश्विक औसत से ऊपर
 - उम्र के लिए वजन के आधार पर बाल कुपोषण केवल 8% होगा (वास्तविकता - 32.7%)
 - 2020 में भारत पृथ्वी पर सबसे कुपोषित समाजों में से एक था

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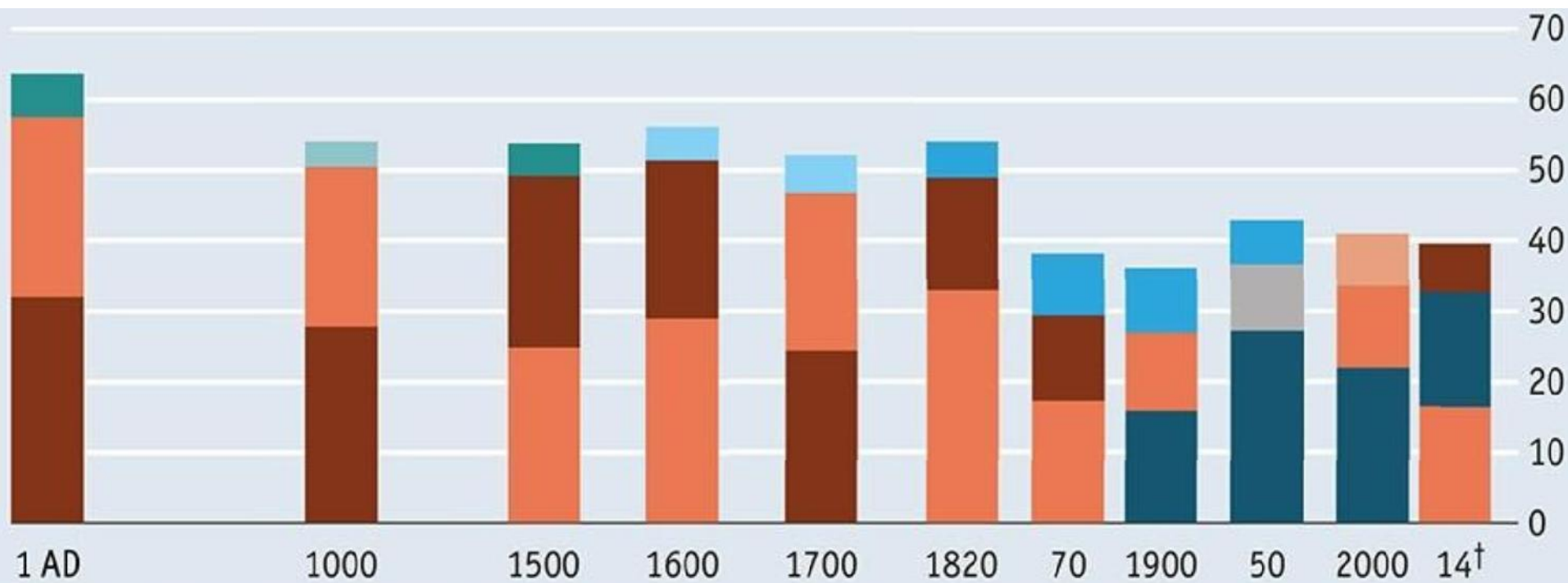
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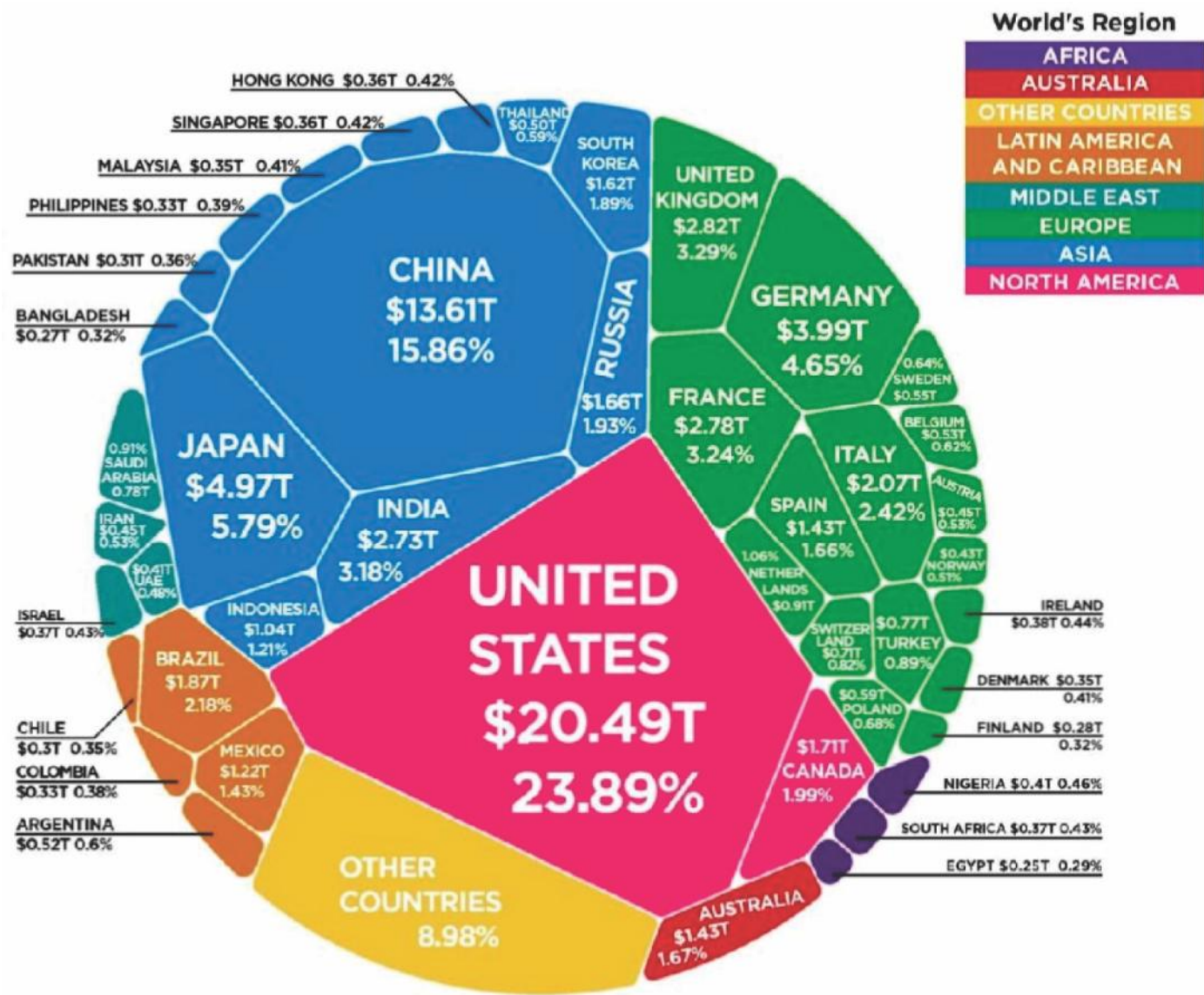
WORLD TRADE - HISTORICAL DATA

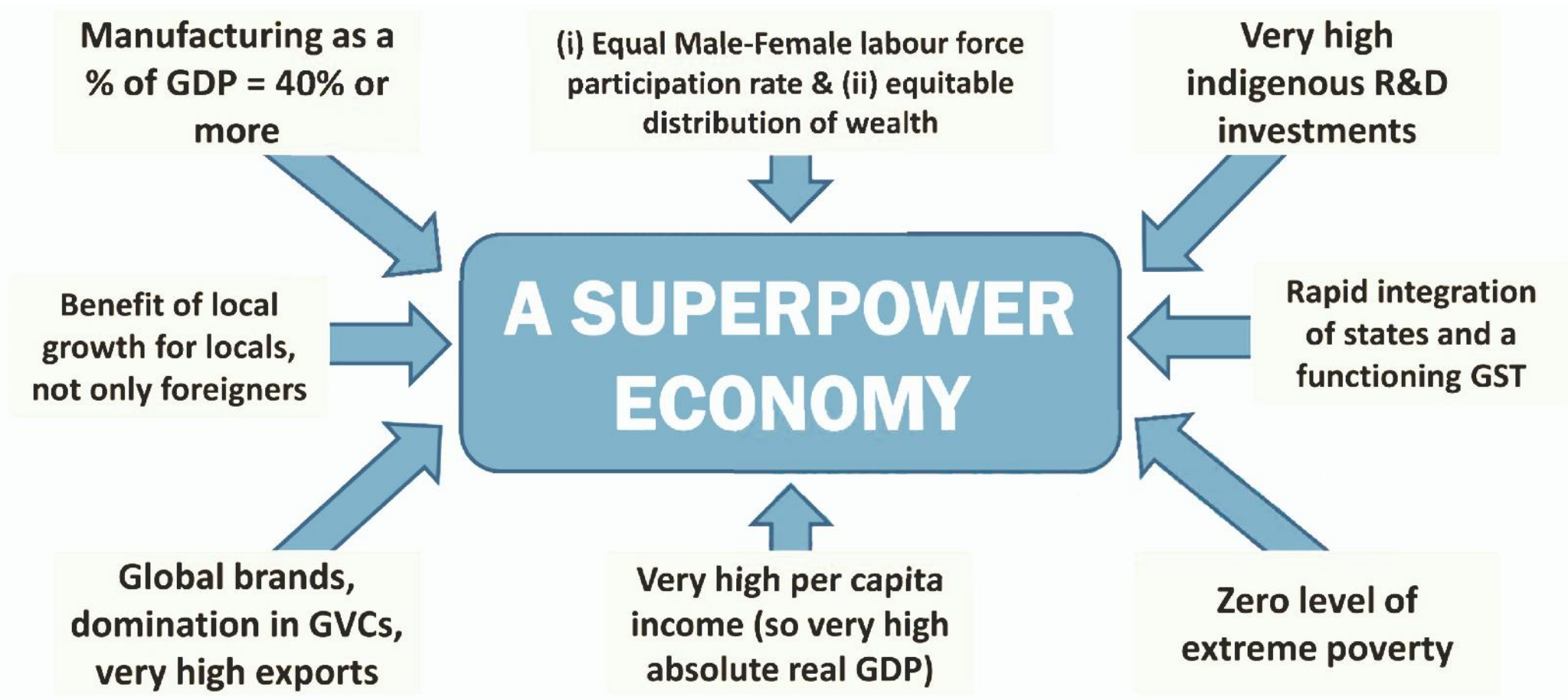
	<u>1948</u>	<u>1953</u>	<u>1963</u>	<u>1973</u>	<u>1983</u>	<u>1993</u>	<u>2003</u>	<u>2018</u>
<u>WORLD</u>	\$ 596	84	157	579	1838	3688	7377	18919
India	2.2%	1.3	1.0	0.5	0.5	0.6	0.8	1.7
China	0.9%	1.2	1.3	1.0	1.2	2.5	5.9	13.1
Japan	0.4%	1.5	3.5	6.4	8.0	9.8	6.4	3.9
USA	21.6%	14.6	14.3	12.2	11.2	12.6	9.8	8.8
UK	11.3%	9.0	7.8	5.1	5.0	4.9	4.1	2.6
Canada	5.5%	5.2	4.3	4.6	4.2	3.9	3.7	2.4
EU	-	-	24.5	37.0	31.3	37.3	42.8	34.2
ASIA	14.0%	13.4%	12.5	14.9	19.1	26.0	26.2	33.6
N AMERICA	28.1%	24.8	19.9	17.3	16.8	17.9	15.8	13.6



Sources: Angus Maddison; IMF; *The Economist*

*Purchasing-power parity †Forecast





विनिर्माण जीडीपी के
% में = 40% या
अधिक

(i) समान पुरुष-महिला श्रम शक्ति
भागीदारी दर और (ii) धन का समान
वितरण

बहुत उच्च स्वदेशी
अनुसंधान एवं
विकास निवेश

स्थानीय लोगों के लिए
स्थानीय विकास का लाभ,
केवल विदेशियों के लिए
नहीं

राज्यों का तेजी से
एकीकरण और एक
कुशल जीएसटी

वैश्विक ब्रांड, जीवीसी में
वर्चस्व, बहुत अधिक
निर्यात

प्रति व्यक्ति आय बहुत अधिक
(अतः बहुत उच्च वास्तविक
सकल घरेलू उत्पाद)

अत्यधिक गरीबी का
शून्य स्तर

**एक महाशक्ति
अर्थव्यवस्था**

**A SUPERPOWER
ECONOMY**

**A SUPERPOWER
POLITY**

**A SUPERPOWER
MILITARY**

**SUPERPOWER
INDIA**

```
graph LR; A[A SUPERPOWER ECONOMY] --> D[SUPERPOWER INDIA]; B[A SUPERPOWER POLITY] --> D; C[A SUPERPOWER MILITARY] --> D;
```

The diagram illustrates the components of a superpower. On the left, three blue rounded rectangular boxes are stacked vertically, each containing white text. Arrows from each of these boxes point towards a single brown rounded rectangular box on the right, which contains white text. The background is a light gray gradient.

**A SUPERPOWER
ECONOMY**

**A SUPERPOWER
POLITY**

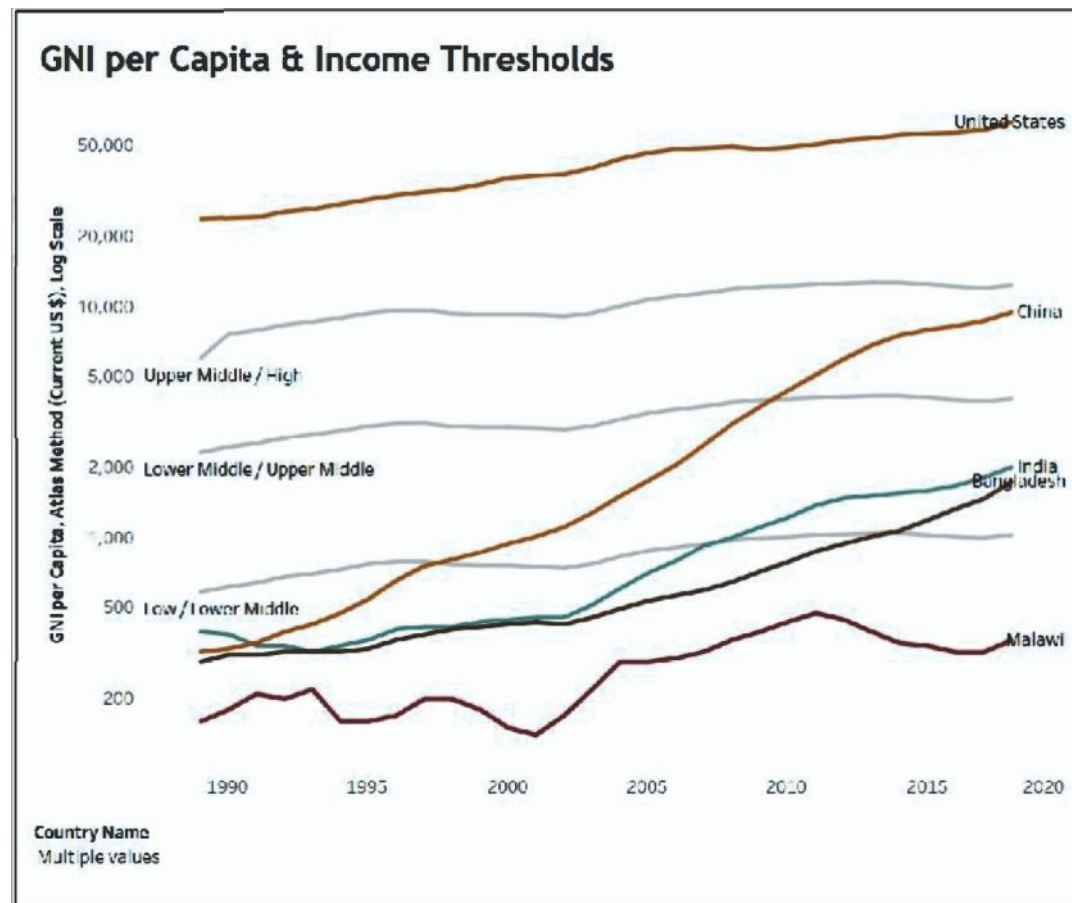
**A SUPERPOWER
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**SUPERPOWER
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**By
When?**

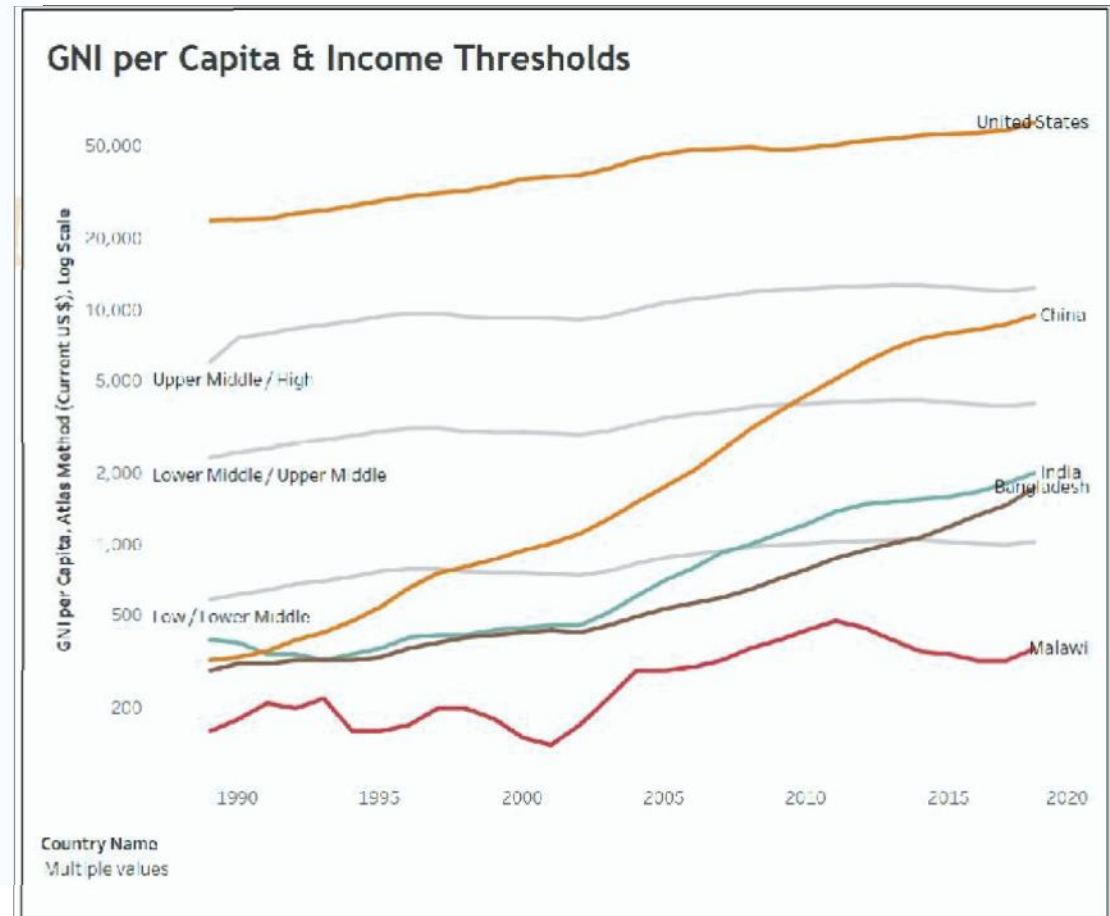
The first step is 'higher per capita incomes'

- As of 1 July 2019
 - low-income economies were defined as those with a GNI per capita of \$1,025 or less in 2018
 - lower middle-income economies are those with a GNI per capita between \$1,026 and \$3,995
 - upper middle-income economies are those between \$3,996 and \$12,375
 - high-income economies are those with a GNI per capita of \$12,376 or more.
- The chart shows how the thresholds, and various countries' economies have evolved over time.



The first step is 'higher per capita incomes'

- 1 जुलाई 2019 तक
 - कम आय वाली अर्थव्यवस्थाओं को 2018 में 1,025 डॉलर या उससे कम जीएनआई प्रति व्यक्ति के रूप में परिभाषित किया गया था
 - निम्न मध्यम आय वाली अर्थव्यवस्थाएं \$1,026 और \$ 3,995 के बीच प्रति व्यक्ति जीएनआई
 - उच्च मध्यम-आय वाली अर्थव्यवस्थाएं \$3,996 और \$ 12,375 के बीच हैं
 - उच्च आय वाली अर्थव्यवस्थाएं \$12,376 या उससे अधिक की प्रति व्यक्ति जीएनआई के साथ हैं
- चार्ट से पता चलता है कि समय के साथ विभिन्न देशों की अर्थव्यवस्थाएं कैसे विकसित हुईं



The first step is 'higher per capita incomes'

- The World Bank classifies the world's economies into four income groups – high, upper-middle, lower-middle, and low.
- India falls in the category of lower-middle income countries, which have a per capita income in the range of \$1,026-3,995. It was in the middle of that range estimated at \$2,015.6 for 2018.
- There are 47 countries in this grouping with an average per capita income of \$2,218.9. India is below that average. In terms of rank, India is at about the 30th country in this segment.
- Indonesia has a per capita income of \$3,893.6, Philippines of \$3,102.7 and Vietnam of \$2,563.8. Each of these economies have also seen stronger growth in per capita income than India, at least since the start of the century.
- India's first objective ought to be to move to the 'Upper Middle Income' category.
- If India has to move from a per capita income of roughly \$2,000 to \$4,000, then economy in nominal terms needs to jump from about \$2.9 trillion in 2019 to \$5.2 trillion (pop = 1.3 b)
- Assuming a population of 1.4 billion and a per capita income of \$4,000 (double the current level), the size of the economy we need to work towards is closer to \$5.6 trillion.
- China moved up from a per capita income of \$2,099 in 2006 to \$4,550 in 2010.
- India needs a nominal GDP growth rate of 12% p.a. (real growth of 7-8%) to double this in 7-8 yrs.
- We are in a pandemic, with a SHRINKING GDP, so the climb just got back-breaking.

पहला कदम 'अधिक प्रति व्यक्ति आय' है

- विश्व बैंक विश्व की अर्थव्यवस्थाओं को चार आय समूहों में वर्गीकृत करता है – उच्च, उच्च-मध्य, निम्न-मध्य और निम्न।
- भारत निम्न-मध्यम आय वाले देशों की श्रेणी में आता है, जिनकी प्रति व्यक्ति आय \$ 1,026-3,995 डॉलर है। यह 2018 के लिए \$ 2,015.6 की अनुमानित सीमा के बीच में था।
- इस समूह में 47 देश हैं जिनकी औसत प्रति व्यक्ति आय \$ 2,218.9 है। भारत उस औसत से नीचे है। रैंक के संदर्भ में, भारत इस सेगमेंट में लगभग 30 वें देश में है।
- इंडोनेशिया में प्रति व्यक्ति आय 3,893.6 डॉलर, फिलीपींस में 3,102.7 डॉलर और वियतनाम में 2,563.8 डॉलर है। इनमें से प्रत्येक अर्थव्यवस्था ने भारत की तुलना में प्रति व्यक्ति आय में मजबूत वृद्धि देखी है, कम से कम सदी की शुरुआत के बाद से।
- भारत का पहला उद्देश्य 'अपर मिडल इनकम' श्रेणी में जाना होना चाहिए।
- यदि भारत को प्रति व्यक्ति आय \$ 2,000 से \$ 4,000 तक बढ़नी है, तो **NOMINAL** अर्थव्यवस्था को 2019 में \$ 2.9 ट्रिलियन से \$ 5.2 ट्रिलियन (पॉप = 1.3 बी) तक कूदने की आवश्यकता है।
- 1.4 बिलियन की आबादी और प्रति व्यक्ति आय \$ 4,000 (वर्तमान स्तर से दोगुना) को मानते हुए, हमें जिस अर्थव्यवस्था की ओर काम करने की ज़रूरत है उसका आकार \$ 5.6 ट्रिलियन के करीब है।
- चीन 2006 में \$ 2,099 की प्रति व्यक्ति आय से बढ़कर 2010 में \$ 4,550 हो गया।
- भारत को 12% p.a. की **nominal** जीडीपी विकास दर की आवश्यकता है (7-8% की वास्तविक वृद्धि) यदि इसे 7-8 साल में दोगुना करना है तो।
- हम एक महामारी में हैं, एक सिकुड़ते सकल घरेलू उत्पाद के साथ, इसलिए चढ़ाई और कठिन हो गई है।

Statement 2

Per Capita Income, Product and Final Consumption

S.No.	Item	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18*	2018-19#	2019-20@	Percentage Change Over Previous Year							
											2012-13	2013-14	2014-15	2015-16	2016-17	2017-18*	2018-19#	2019-20@
1	Population** (in million)	1220	1235	1251	1267	1283	1299	1314	1327	1341	1.2	1.3	1.3	1.3	1.2	1.2	1.0	1.1
	At current prices (₹)																	
2	Per Capita GDP	71,609	80,518	89,796	98,405	1,07,341	1,18,489	1,30,061	1,42,328	1,51,760	12.4	11.5	9.6	9.1	10.4	9.8	9.4	6.6
3	Per Capita GNI	70,980	79,573	88,678	97,242	1,06,096	1,17,131	1,28,655	1,40,804	1,50,320	12.1	11.4	9.7	9.1	10.4	9.8	9.4	6.8
4	Per Capita NNI	63,462	70,983	79,118	86,647	94,797	1,04,880	1,15,224	1,25,883	1,34,186	11.9	11.5	9.5	9.4	10.6	9.9	9.3	6.6
5	Per Capita GNDI	73,479	82,408	91,843	1,00,439	1,09,315	1,20,052	1,31,743	1,44,524	1,54,349	12.2	11.4	9.4	8.8	9.8	9.7	9.7	6.8
6	Per Capita PFCE	40,250	45,461	51,764	57,201	63,339	70,258	76,379	84,567	91,790	12.9	13.9	10.5	10.7	10.9	8.7	10.7	8.5
	At constant (2011-12) prices(₹)																	
7	Per Capita GDP	71,609	71,599	78,348	83,091	88,616	94,751	1,00,035	1,05,526	1,08,645	4.2	5.0	6.1	6.6	6.9	5.6	5.5	3.0
8	Per Capita GNI	70,980	73,722	77,370	82,107	87,565	93,638	98,925	1,04,377	1,07,589	3.9	4.9	6.1	6.6	6.9	5.6	5.5	3.1
9	Per Capita NNI	63,462	65,538	68,572	72,805	77,659	83,003	87,586	92,241	94,566	3.3	4.6	6.2	6.7	6.9	5.5	5.3	2.5
10	Per Capita PFCE	40,250	41,936	44,423	46,667	49,738	53,120	55,789	59,415	62,056	4.2	5.9	5.1	6.6	6.8	5.0	6.5	4.4

STATEMENT 2: First Advance Estimates of National Income and Expenditures on GDP, 2020-21 (at Current Prices)

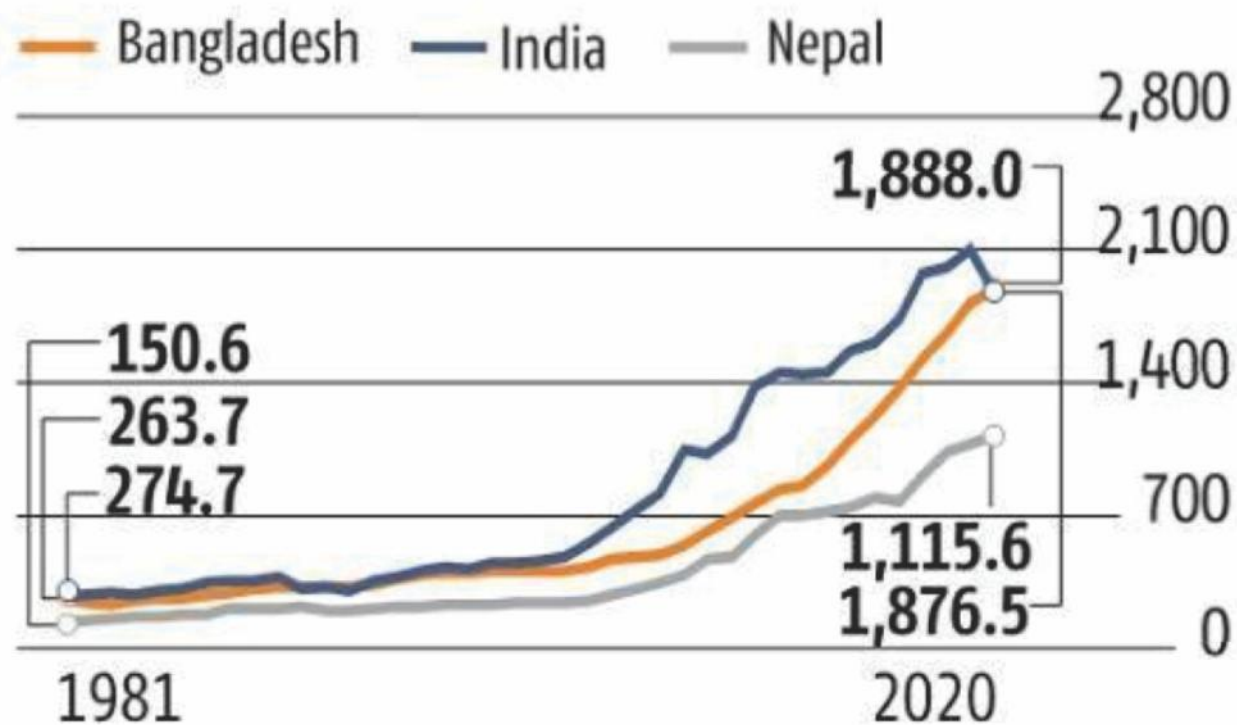
(₹ crore)

S.No.	Item	2018-19	2019-20 (PE)	2020-21 (1 st AE)	Percentage Change Over Previous Year	
					2019-20	2020-21
1	Domestic Product					
2	GVA at Basic Prices	1,71,39,962	1,83,43,237	1,75,76,842	7.0	-4.2
3	Net Taxes on Products	18,31,275	19,06,512	19,05,133	9.0	-4.6
4	GDP (1-NDP)					
5	Final Expenditure					
6	Private Expenditure					
7	Government Expenditure					
8	Gross Fixed Capital Formation (GFCF)					
9	Change in Valuable Exports					
10	Imports					
11	Discrepancy					
12	GDP					
13	Rates of					
14	Private Expenditure					
15	Government Expenditure					
16	Gross Fixed Capital Formation (GFCF)					
17	Change in Valuable Exports					
18	Imports					
19	Discrepancy					
20	GDP					
21	National Income					
22	Gross National Income (GNI)					
23	Net National Income (NNI)					
24	Gross National Disposable Income (GNDI)					
25	Net National Disposable Income (NNDI)					
26	Per Capita Income, Product and Final Consumption					
27	Per Capita GDP (₹)	1,42,963	1,51,677	1,43,734	6.1	-5.2
28	Per Capita GNI (₹)	1,41,439	1,50,025	1,41,945	6.1	-5.4
29	Per Capita NNI (₹)	1,26,521	1,34,226	1,26,968	6.1	-5.4
30	Per Capita GNDI (₹)	1,45,159	1,53,843	1,45,892	6.0	-5.2
31	Per Capita PFCE (₹)	84,808	91,440	85,359	7.8	-6.6

The 2020 shock

THE PROJECTION

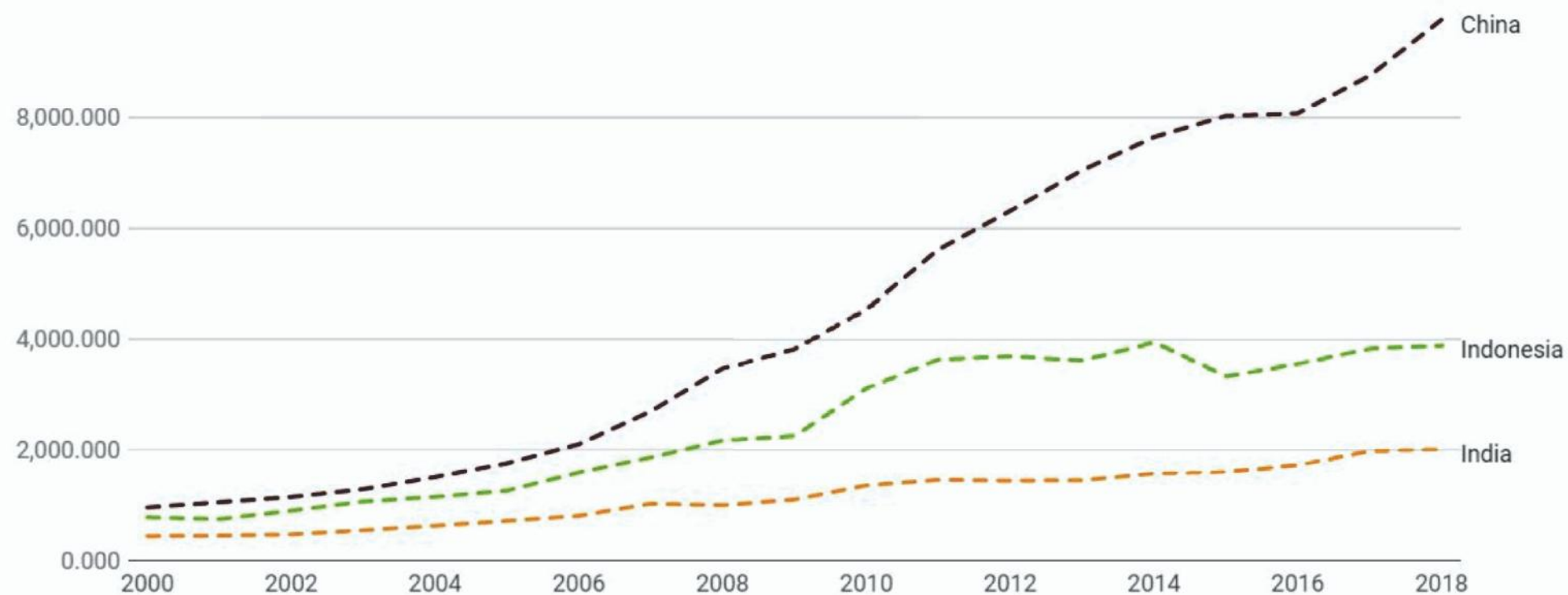
Per capita gross domestic product (in \$)



Source: IMF-World Economic Outlook

Per Capita Income: India Has Much Catching Up To Do

In \$ Terms



Growth imperative for India

- **To be in top 3:** For India, growth is an imperative. To be counted as a major economic powerhouse by the end of 2025, India needs to accelerate its economic growth beyond the existing rates of 5-6% per annum.
- **Removing poverty:** Then only can its citizens, more than a quarter of whom (~28%) live below the poverty line today, afford better lifestyles. In addition, at current growth rates India is projected to have a significant unemployed population (estimates range between 19 and 37 million unemployed by 2012), the largest share of which will be educated youth.
- **Low growth is a trouble:** The unemployment and poverty resulting from inadequate growth will retard other efforts to place India amongst the top global economic powers. Therefore, the acceleration of economic growth and the employment of skilled youth in the next two decades are key concerns for India Inc.
- **LPG 1991:** The Indian economy gained fresh momentum with the liberalisation ushered in by the government in 1991. The average GDP growth rate climbed to nearly 6% during the 1990s, compared to a tepid 4% for the first 40 years since independence.
- **Long road ahead:** However, despite the gains made post-liberalisation, India still has a long way to go. More than a quarter of its population still lives below the poverty line. Its GDP per capita (non-PPP adjusted) fares poorly against other nations with comparable backgrounds.

भारत के लिए विकास की अनिवार्यता

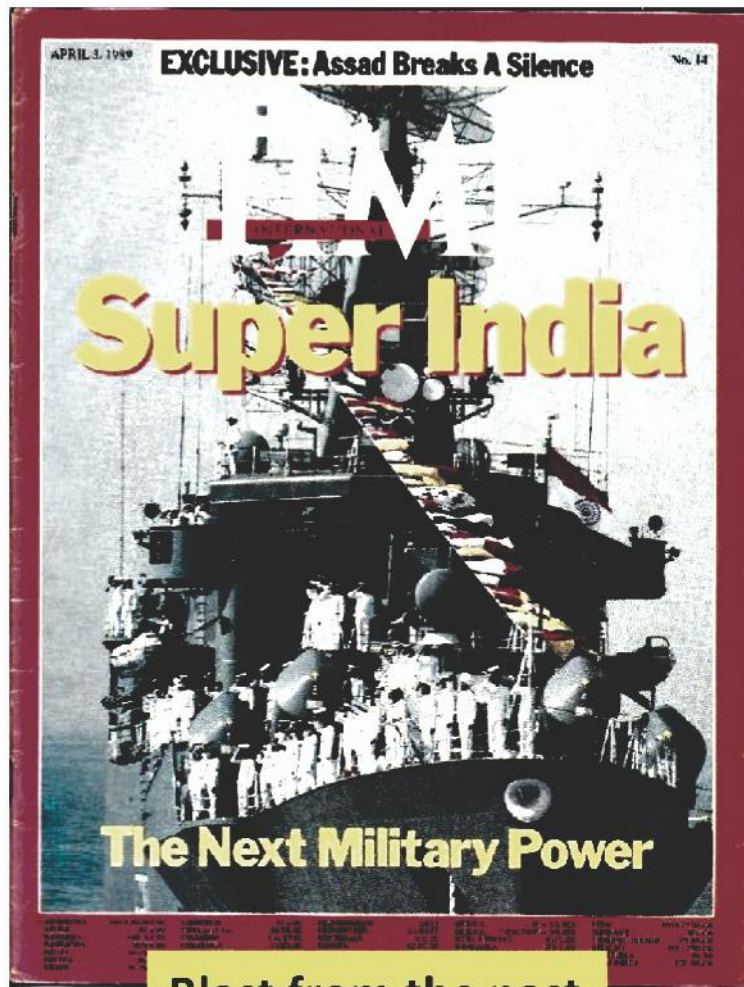
- **शीर्ष 3 में होना:** भारत के लिए, विकास एक अनिवार्य है। 2025 के अंत तक एक प्रमुख आर्थिक महाशक्ति के रूप में गिना जाने के लिए, भारत को अपनी आर्थिक वृद्धि को 5-6% प्रति वर्ष की मौजूदा दरों से आगे बढ़ाने की आवश्यकता है।
- **गरीबी दूर करना:** केवल तब उसके नागरिक, जिनमें से एक चौथाई से अधिक (~ 28%) आज गरीबी रेखा से नीचे रहते हैं, बेहतर जीवनशैली का लाभ उठा सकते हैं। इसके अलावा, वर्तमान विकास दर पर भारत में एक महत्वपूर्ण बेरोजगार आबादी का अनुमान है (अनुमान है कि 19 और 37 मिलियन बेरोजगारों के बीच 2012 तक), जिसका सबसे बड़ा हिस्सा शिक्षित युवा होगा।
- **कम विकास एक परेशानी:** अपर्याप्त विकास से उत्पन्न बेरोजगारी और गरीबी भारत को शीर्ष वैश्विक आर्थिक शक्तियों के बीच रखने के अन्य प्रयासों को धीमा कर देगी। इसलिए, आर्थिक विकास में तेजी और अगले दो दशकों में कुशल युवाओं के रोजगार भारत इंक के लिए प्रमुख चिंताएं हैं।
- **LPG 1991:** भारतीय अर्थव्यवस्था ने 1991 में सरकार द्वारा उदारीकरण के साथ नई गति प्राप्त की। 1990 के दौरान औसत जीडीपी विकास दर लगभग 6% तक पहुंच गई, जबकि आजादी के बाद पहले 40 वर्षों के लिए यह 4% थी।
- **आगे लंबी राह:** हालांकि, उदारीकरण के बाद हुए लाभ के बावजूद, भारत को अभी भी एक लंबा रास्ता तय करना है। इसकी एक चौथाई से अधिक आबादी अभी भी गरीबी रेखा से नीचे रहती है। इसकी जीडीपी प्रति व्यक्ति (गैर-पीपीपी समायोजित) तुलनात्मक पृष्ठभूमि वाले अन्य देशों के मुकाबले खराब है।

China facts

- **China's per capita gross domestic product (GDP) crossed \$10,000 for the first time in 2019 and it could become a high-income economy by 2023 or 2024.**
- **The Chinese economy grew at 6.1% in 2019, its lowest GDP growth in 29 years. Yet, China's importance in the global economy cannot be overemphasised.**
- **The Chinese economy accounts for almost 30% of the global GDP growth today. Both in terms of per capita GDP and global contribution to growth, China is now far ahead of India, although the gap has been plateauing in the recent years.**
- **The achievement has come in a year when the world's second largest economy grew at 6.1%, the lowest in 29 years. And post-Covid, it became the only large economy to grow positively in 2020.**
- **China's GDP numbers were released a day after US and China, the top two economies in the world, agreed to a trade deal, putting an end to 18 months of trade war including tariff and non-tariff measures.**
- **To be sure, the \$10,000 per capita GDP barrier does not have a lot of significance. According to the World Bank classification for fiscal year 2020, low-income economies are defined as those with a Gross National Income (GNI) per capita of \$1,025 or less in 2018; lower middle-income economies are those with a GNI per capita between \$1,026 and \$3,995; upper middle-income economies are those with a GNI per capita between \$3,996 and \$12,375; high-income economies are those with a GNI per capita of \$12,376 or more. So, China will continue to be in the upper-middle income country classification.**

China facts

- चीन का प्रति व्यक्ति सकल घरेलू उत्पाद (जीडीपी) 2019 में पहली बार 10,000 डॉलर को पार कर गया और यह 2023 या 2024 तक उच्च आय वाली अर्थव्यवस्था बन सकता है।
- चीनी अर्थव्यवस्था 2019 में 6.1% की दर से बढ़ी, 29 वर्षों में इसकी सबसे कम जीडीपी वृद्धि। फिर भी, वैश्विक अर्थव्यवस्था में चीन का महत्व अधिक नहीं हो सकता है।
- चीनी अर्थव्यवस्था आज वैश्विक जीडीपी वृद्धि का लगभग 30% है। प्रति व्यक्ति जीडीपी और वृद्धि में वैश्विक योगदान के संदर्भ में, चीन अब भारत से बहुत आगे है, हालांकि हाल के वर्षों में यह अंतर पठार रहा है।
- यह उपलब्धि एक साल में आई है जब दुनिया की दूसरी सबसे बड़ी अर्थव्यवस्था 6.1% की दर से बढ़ी है, जो 29 वर्षों में सबसे कम है। और Covid के बाद, 2020 में सकारात्मक रूप से बढ़ने वाली यह एकमात्र बड़ी अर्थव्यवस्था बन गई।
- यूएस और चीन के बाद चीन की जीडीपी संख्या जारी की गई, दुनिया की शीर्ष दो अर्थव्यवस्थाएं, एक व्यापार सौदे के लिए सहमत हुईं, जिसमें टैरिफ और गैर-टैरिफ उपायों सहित 18 महीने के व्यापार युद्ध का अंत था।
- यह सुनिश्चित करने के लिए, प्रति व्यक्ति सकल घरेलू उत्पाद की बाधा में \$ 10,000 का बहुत अधिक महत्व नहीं है। वित्त वर्ष 2020 के लिए विश्व बैंक के वर्गीकरण के अनुसार, कम आय वाली अर्थव्यवस्थाओं को 2018 में 1,025 डॉलर या उससे कम प्रति व्यक्ति सकल राष्ट्रीय आय (जीएनआई) के रूप में परिभाषित किया गया है; निम्न मध्यम आय वाली अर्थव्यवस्थाएं \$ 1,026 और \$ 3,995 के बीच प्रति व्यक्ति जीएनआई के साथ हैं; उच्च मध्यम-आय वाली अर्थव्यवस्थाएं \$ 3,996 और \$ 12,375 के बीच प्रति व्यक्ति जीएनआई के साथ हैं; उच्च आय वाली अर्थव्यवस्थाएं \$ 12,376 या उससे अधिक की प्रति व्यक्ति जीएनआई के साथ हैं। इसलिए, चीन ऊपरी-मध्य आय वाले देश के वर्गीकरण में बना रहेगा।



Blast from the past

A famous @TIME cover story in 1989 declared India was "determinedly transforming itself into a regional superpower." The 1970s and 80s held out that hope, due to many military actions by Indira Gandhi and Rajiv Gandhi.

Bangladesh liberation
Higher defence budgets
Military action in Siachen and China border
Sri Lankan intervention

Cut to 2021.

- China hikes defence spending by 6.8%, for a budget of \$209 billion.
- India in Feb 2021 hiked its defence budget by 1.48%, to \$65 billion (including pensions, or \$49.75 billion without pensions)

28 JUL 2003 RESEARCH & IDEAS

It's India Above China in New World Order

by Martha Lagace

Can India overtake China? That's the title of an influential new article in Foreign Policy magazine. A Q&A with authors **Yasheng Huang** of MIT and **Tarun Khanna** of HBS.

FEATURE

Can India Overtake China?

What's the fastest route to economic development? Welcome foreign direct investment (FDI), says China, and most policy experts agree. But a comparison with long-time laggard India suggests that FDI is not the only path to prosperity. Indeed, India's homegrown entrepreneurs may give it a long-term advantage over a China hamstrung by inefficient banks and capital markets.

BY YASHENG HUANG, TARUN KHANNA | JULY 1, 2003, 8:53 PM

**The most crucial, and last opportunity, is 2021-2030
India cannot afford to waste this period in non-economic pursuits**

There actually was a time in early 2000s when the world considered India a real challenger to China

By 2021, it's all over

India is at \$2.6 trillion and China at \$15 trillion

By 2030, the gap would be too large to make any major impact

(The 2020 Mumbai blackout is another strong story that hints at what's cooking)

6.8% jump in budget for military to \$209 bn is the biggest in 2 years

BLOOMBERG
5 March

China's government has set a conservative economic growth target for this year, shifting its focus from recovery mode to longer-term challenges like reining in debt and reducing technological dependence on the US.

The growth target was set at above 6 per cent, well below economists forecasts, with the budget deficit expected to fall to 3.2 per cent of gross domestic product. Premier Li Keqiang said Friday at the opening of the National People's Congress. China projected defence spending growth of 6.8 per cent this year, the largest gain since 2019, amid tensions with the US and key neighbours.

The target for 2021 stands in contrast to the 8.4 per cent expansion that economists predict, allowing officials to focus on longer-term ambitions, like developing hi-tech industries and supporting consumer spending.

Military expenditure is expected to climb to 1.55 trillion yuan (\$209 billion) in the coming year, the Ministry of Finance said on Friday. The figure, released at the start of the annual National People's Congress meeting in Beijing, compares with an unpeaked rise of 1.8 per cent in budgeted fiscal spending. "We will provide stronger financial guarantees

to vigorously support the modernisation of national defence and the armed forces, and help China's defence capabilities rise in step with its economic strength," the Ministry of Finance said in a report. A Bloomberg calculation of the latest defence budget number shows spending for this year will actually rise 6.9 per cent. Friday's increase is over three times higher than India's defence budget of about \$65.7 billion (including pensions).

Last year, China allocated about \$96.44 billion according to the state-run Global Times. The defence spending boost comes after China sparred with India on its border and as the nation seeks to modernise its military to make it more competitive with the US. China, the only major economy in the world to expand last year, also announced on Friday an economic growth target of above 6 per cent for the year, well below what economists had forecast.

"We will boost military training and preparedness across the board, make overall plans for responding to security risks in all areas and for all situations, and enhance the military's strategic capacity to protect the sovereignty, security and development interests of our country," Chinese Premier Li Keqiang said in an annual report to the national legislature.

With inputs from PTI

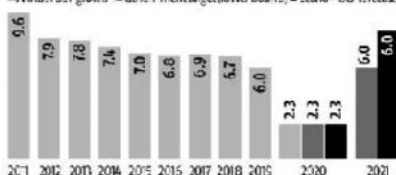


Chinese President Xi Jinping took off his mask at the Great Hall of the People

THE REBOUND

Government's target is for a return to pre-pandemic trend growth

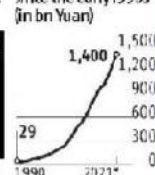
■ Annual GDP growth ■ Government target (lower bound) ■ Economists' forecast



ON THE MARCH

China's total defence spending has surged since the early 1990s

(in bn Yuan)



China to overhaul HK electoral system

China moved to overhaul Hong Kong's electoral system in a further blow to democracy in the city and unexpectedly set an economic growth target for this year, albeit a modest one. According to the BBC, NPC vice-chairman Wang Chen announced to the NPC that changes

were needed as "the rising and turbulence that occurred in Hong Kong society reveals that the existing electoral system has clear loopholes and deficiencies". He said "risks in the system" needed to be removed to ensure "patriots" were in charge.

Manufacturing to get \$520 bn PLI push in next 5 years: PM

Says govt aims to do away with more than 6,000 compliance requirements

NEHA ALAWADHI, SOHINI DAS
& ARINDAM MAJUMDER
New Delhi/Mumbai/New Delhi, 5 March

'MAKE IN INDIA' DRIVE

PLI schemes approved by govt

Sector	Approved outlay (in ₹ cr)
Automobiles and auto components	57,042
Smartphones & components	40,995
Advanced chemistry cell battery	18,100
Pharmaceuticals	15,000
Telecom & networking products	12,195
Food products	10,900
Textile products	10,683
IT hardware (laptop, tablets etc.)	7,350
Specialty steel	6,322
ACs & LEDs	6,238
Electronic technology products	5,000
High efficiency solar PV modules	4,500

Source: Govt of India



"...IT IS ESTIMATED THAT THE WORKFORCE FOR SECTORS IN WHICH PLI HAS BEEN IMPLEMENTED WILL ALMOST DOUBLE"

Narendra Modi, Prime Minister

Prime Minister Narendra Modi on Friday said the production-linked incentive (PLI) scheme would lead to output worth \$520 billion in India in the next five years, while industry asked for clarity on implementation across sectors.

Modi said the government was working at every level to promote industry through measures like ease of doing business, reducing the compliance burden, creating multi-modal infrastructure to reduce logistics costs, and constructing district-level export hubs. "Our effort is to reduce over 6,000 compliance burdens (for industry)," he said.

The prime minister was speaking at a webinar organised by the Department for Promotion of Industry and International Trade and the NITI Aayog.

Industry representatives included those from Apple, Sun Pharmaceuticals, and Mahindra & Mahindra, as well as industry associations from the PLI beneficiary sectors.

Job creation was a major item discussed. Sources said the focus was not on generating investment alone but to ensure

that turnover rose, and jobs were created.

The PLI scheme was announced first for electronics in March last year, aimed at boosting domestic manufacturing and exports. It has since been expanded to 12 more sectors.

"In this year's Budget, about ₹2 trillion has been earmarked for the PLI scheme.

On average about 5 per cent of the production has been given as incentive. This means, only through the PLI scheme, an estimated \$520 billion worth of production is expected to happen in India. It is also estimated that the workforce for sectors in which PLI has been implemented will almost double," he said.

Turn to Page 13

March 2021 updates

**ECONOMIC
SLOWDOWN**

**FARM
INCOME
CRISIS**

**FRESH F/S
JOBS
CRISIS**

PANDEMIC INDUCED INFIRMITIES

India's 2021-2030 challenge



Bhavish Aggarwal ✓
@bhash

Sharing our vision of the Ola Futurefactory! With 10M units/yr, it'll be the largest 2W factory in the world, 15% of world's capacity! With 3000+ robots, it'll be the most advanced & with 100 acres of forest, carbon negative operations, it'll be the most sustainable. @OlaElectric



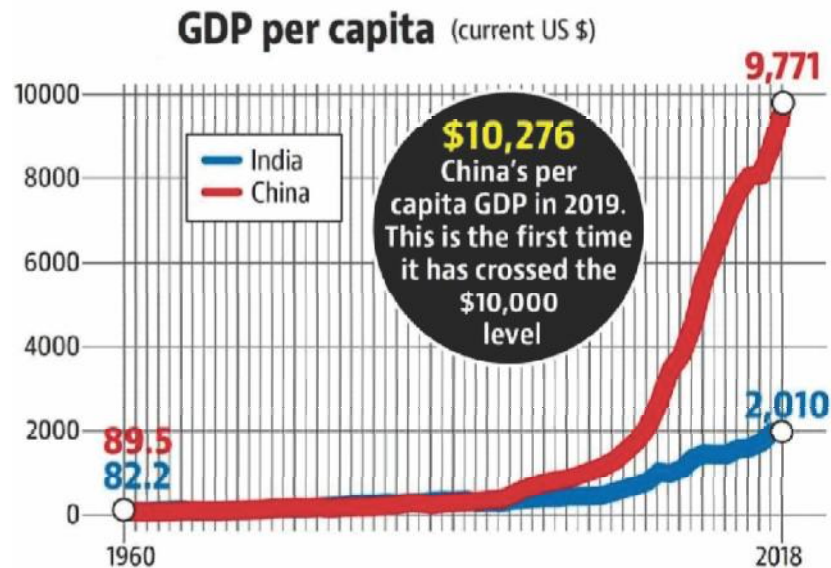
9:28 AM · Mar 8, 2021 · Twitter for iPhone

- **The trend is clear**
- **Automation and more automation**
- **Robots, and more robots**
- **But not more jobs for humans (at the scale needed – in crores)**

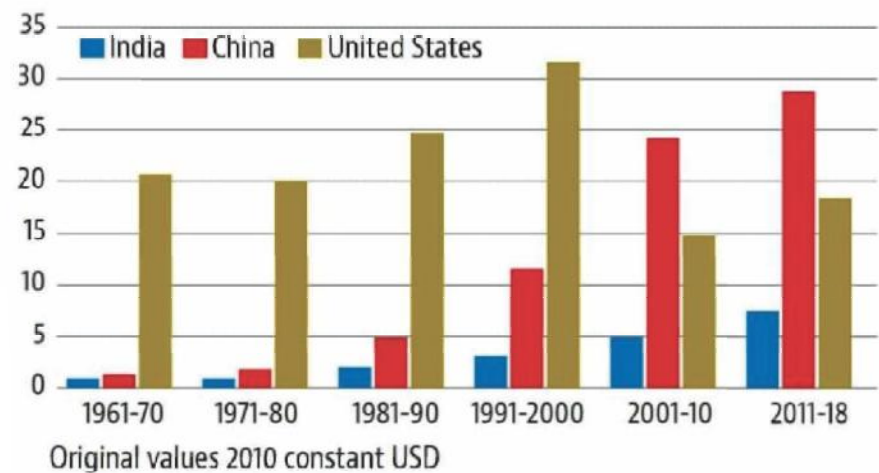
India just lagged behind more, with each passing year

Economic powerhouse

China is now far ahead of India in terms of per capita GDP although the gap has been plateauing in recent years



% share in global GDP growth

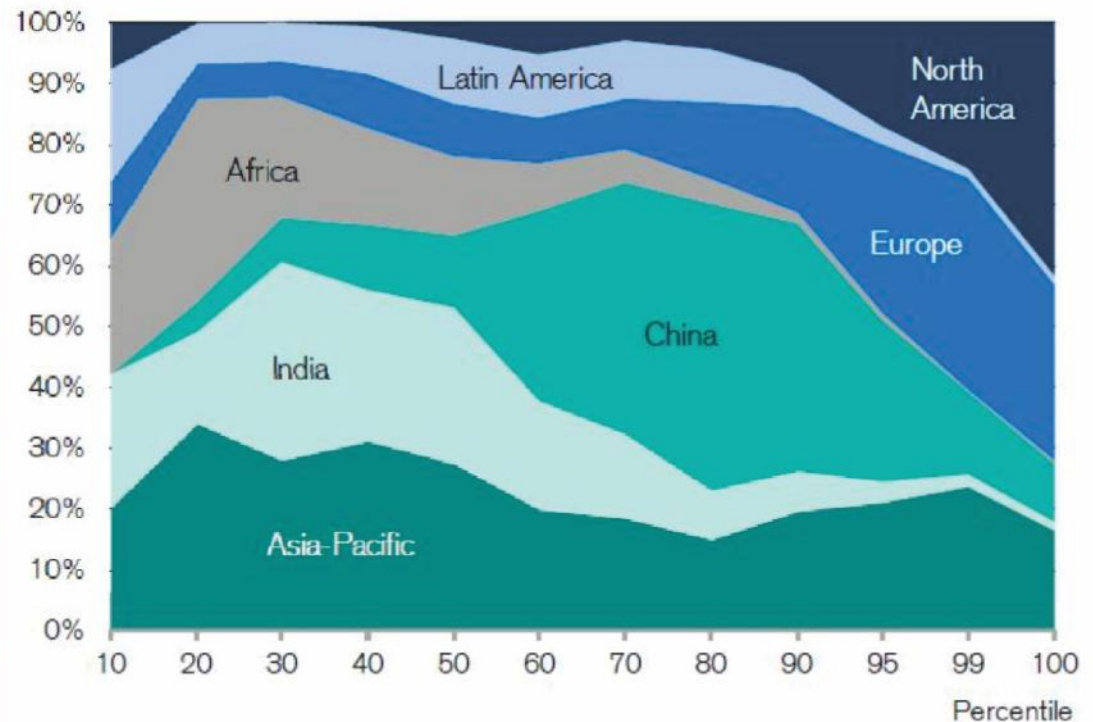


See the concentration of African and Indian citizens in the base segment of the wealth pyramid, the dominance of China in the middle tiers, and the substantial over-representation of North America and Europe in the top percentile.

Also evident is the significant number of North American and European residents in the bottom global wealth decile, a reflection of the ease with which individuals – especially younger adults – acquire debt in advanced economies, resulting in negative net wealth.

Note too, that while the bulk of Indians are located in the bottom half of the global distribution, high wealth inequality and an immense population mean that India also has a significant number of citizens in the top wealth echelons.

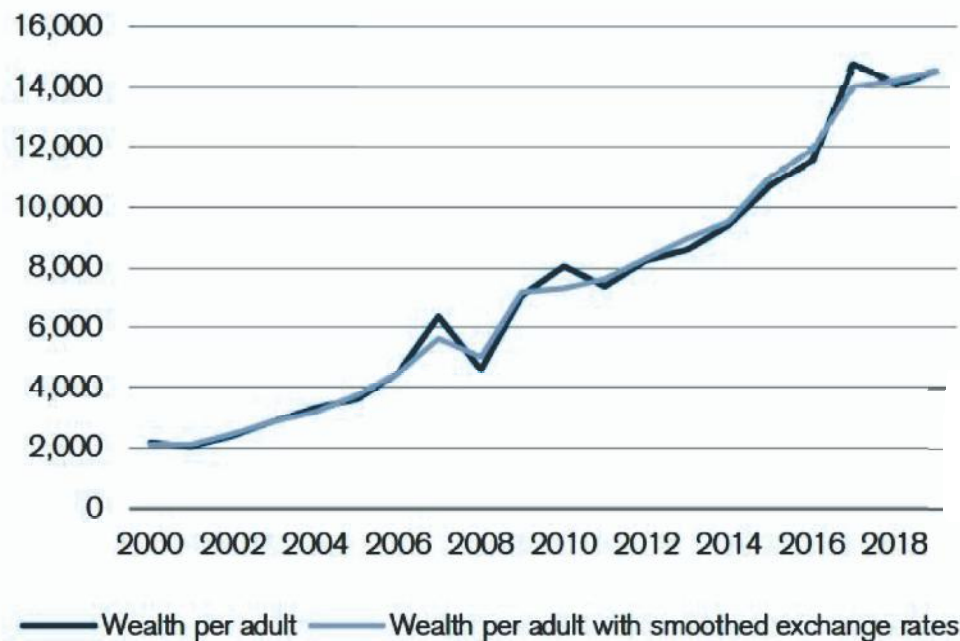
Regional composition of global wealth distribution in 2019



Global wealth report 2019

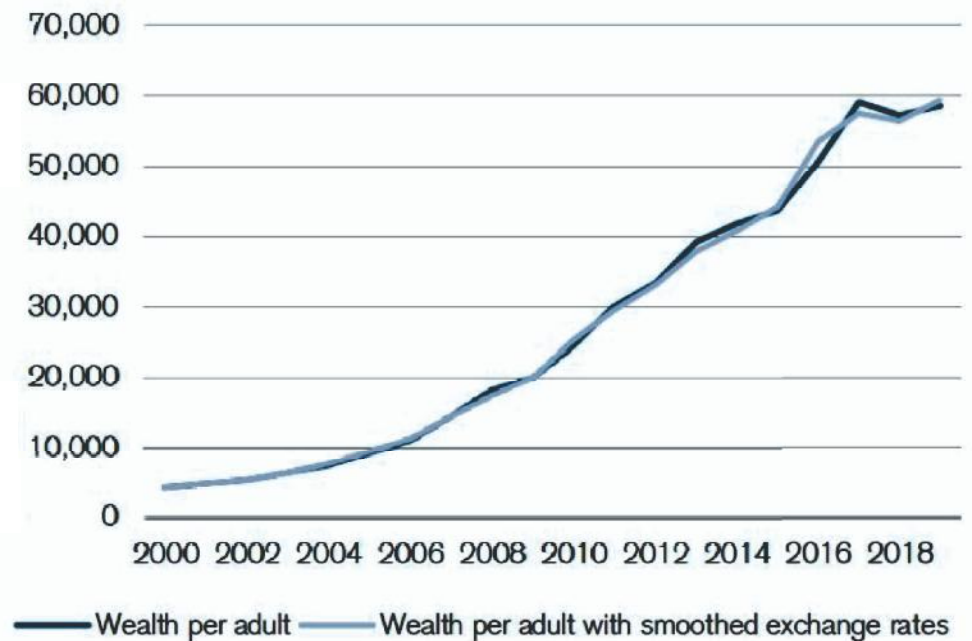
Wealth per adult over time

INDIA



Wealth per adult over time

CHINA

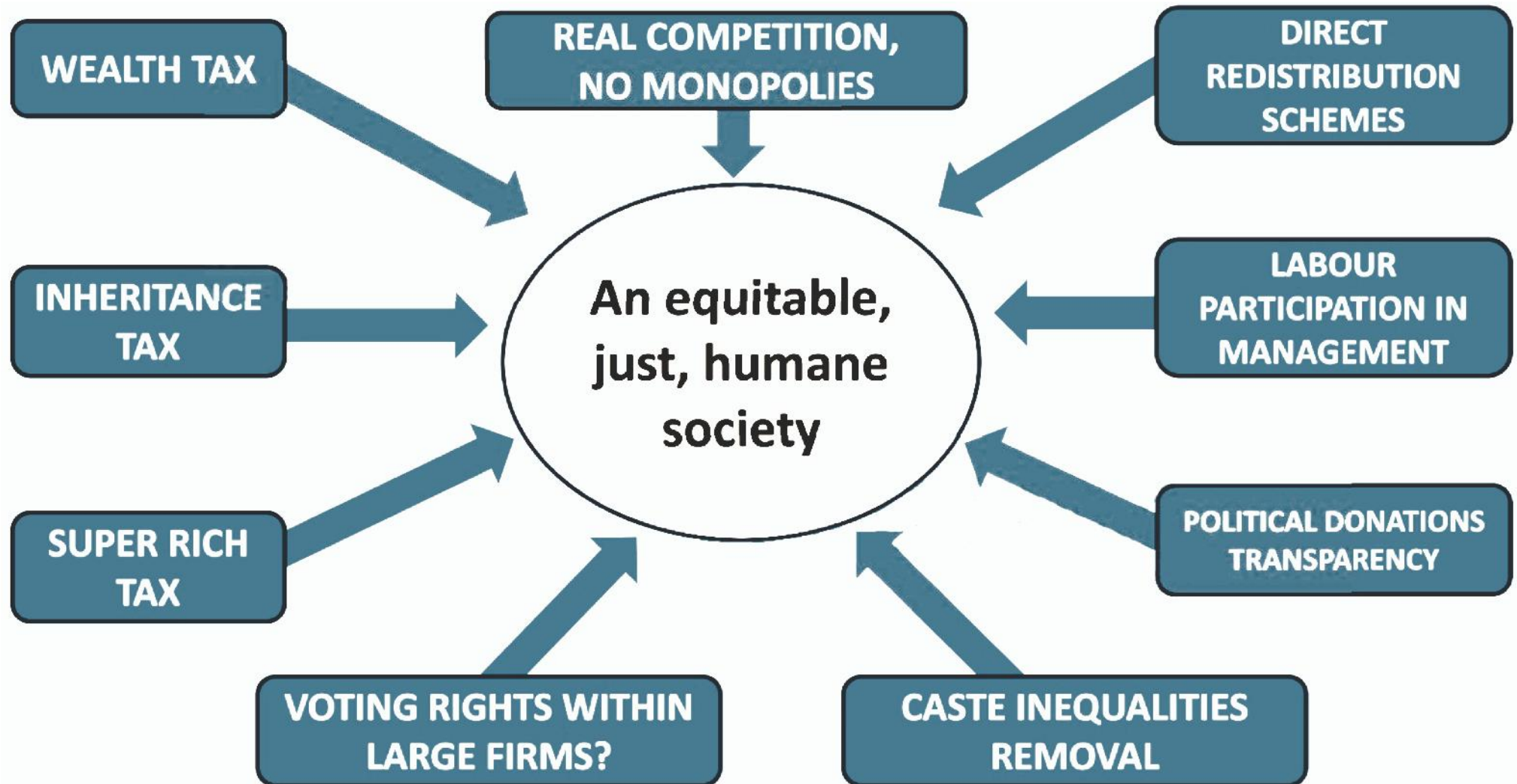


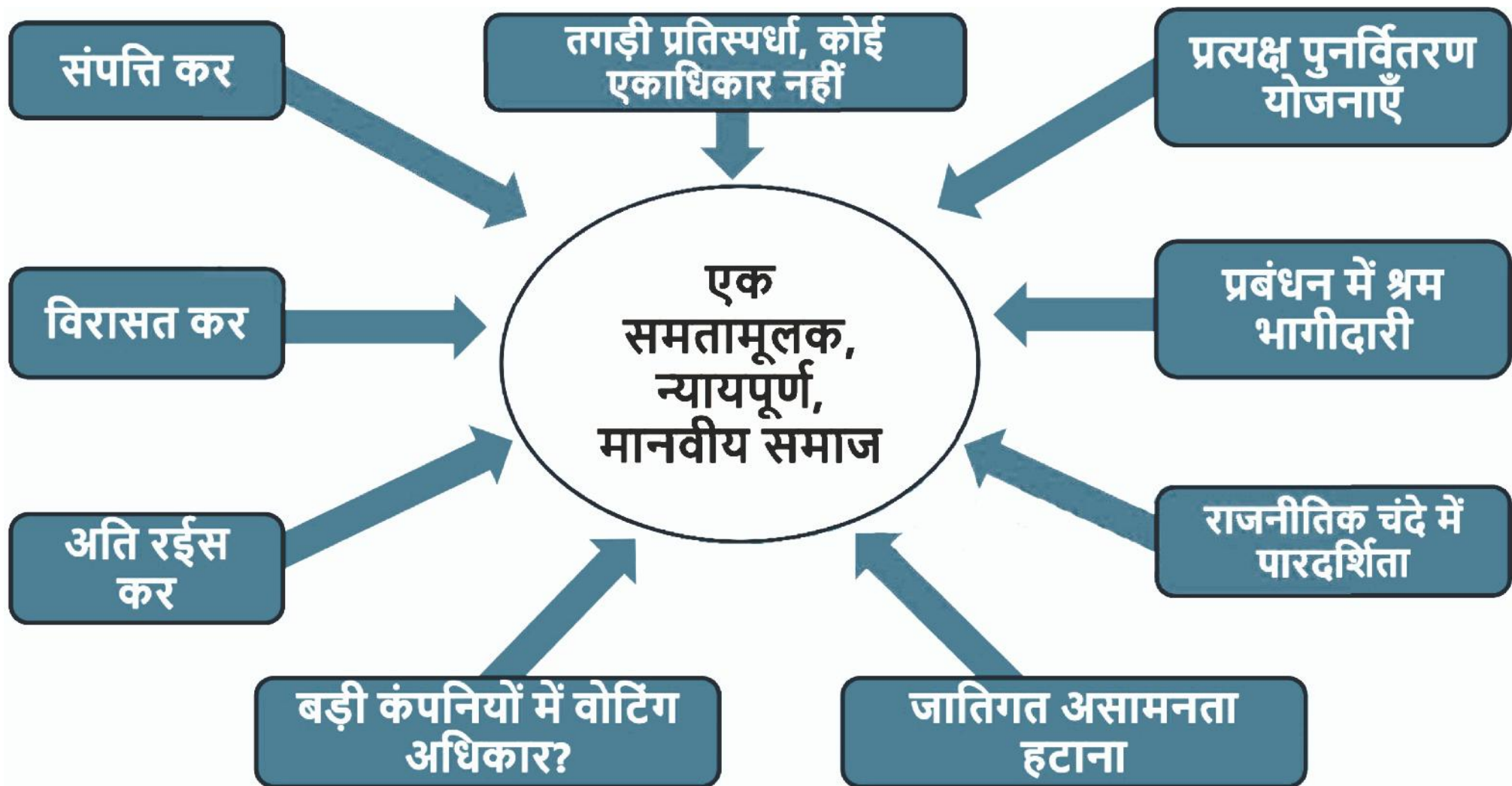
MoSPI informs the PPP rankings, 2020

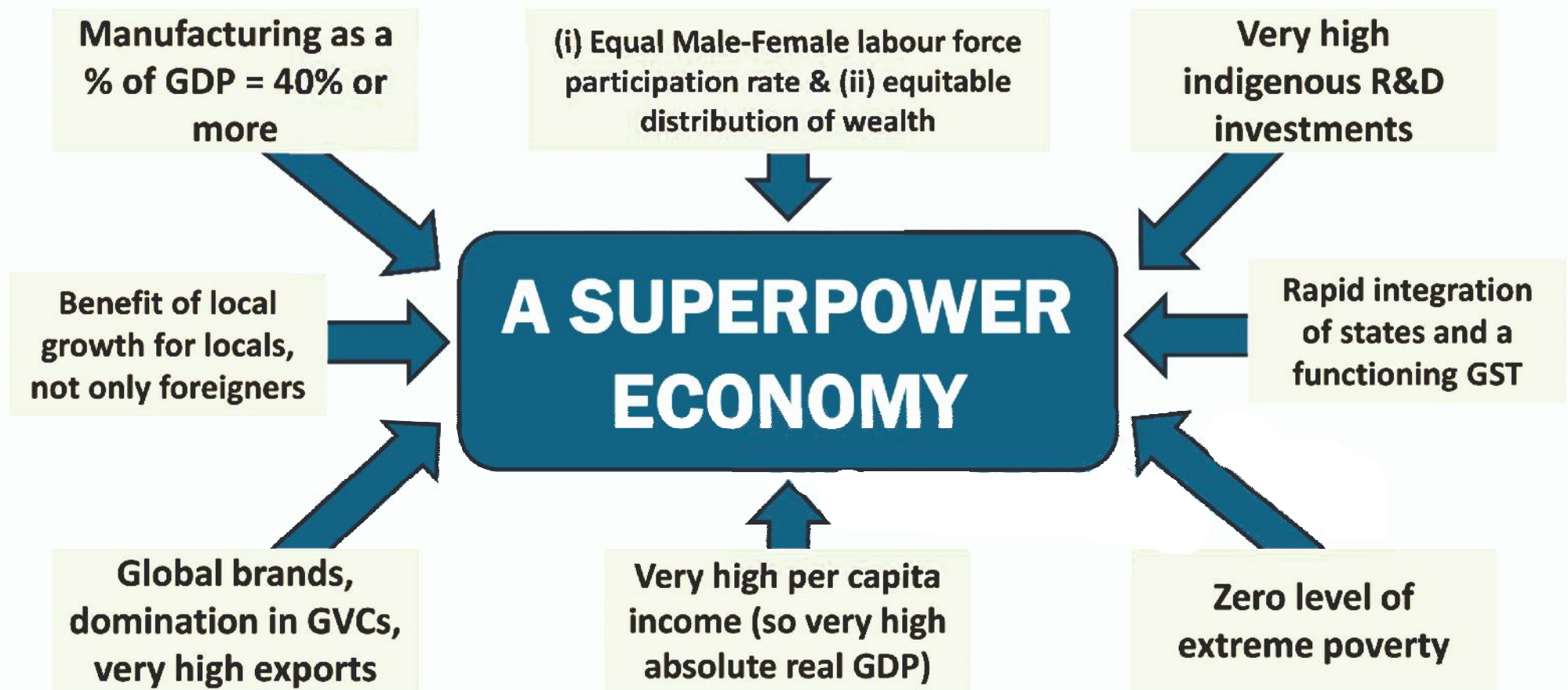
- **World Bank and ICP:** The World Bank has released new Purchasing Power Parities (PPPs) for reference year 2017, under International Comparison Program (ICP), that adjust for differences in the cost of living across economies of the World. Globally 176 economies participated in 2017 cycle of ICP.
- **India's participation:** India has participated in almost all ICP rounds since its inception in 1970.
- **PPP:** The Purchasing Power Parities (PPPs) of Indian Rupee per US\$ at Gross Domestic Product (GDP) level is now 20.65 in 2017 from 15.55 in 2011. The Exchange Rate of US Dollar to Indian Rupee is now 65.12 from 46.67 during same period.
- **PLI:** The Price Level Index (PLI)—the ratio of a PPP to its corresponding market exchange rate— is used to compare the price levels of economies, of India is 47.55 in 2017 from 42.99 in 2011.
- **Indian economy:** In 2017, India retained and consolidated its global position, as the third largest economy, accounted for 6.7 % (\$8,051 billion out of World total of \$119,547 billion) of global Gross Domestic Product (GDP) in terms of PPPs as against China (16.4%) and United States (16.3%), resp. India is also third largest economy in terms of its PPP-based share in global Actual Individual Consumption and Gross Capital Formation.

PPP RANKINGS (#) (millions of current international \$)

World	138,352,382
1 China	27,804,953
2 United States	20,289,987
— European Union	18,377,114
3 India	11,321,280







विनिर्माण जीडीपी के
% में = 40% या
अधिक

(i) समान पुरुष-महिला श्रम शक्ति
भागीदारी दर और (ii) धन का समान
वितरण

बहुत उच्च स्वदेशी
अनुसंधान एवं
विकास निवेश

स्थानीय लोगों के लिए
स्थानीय विकास का लाभ,
केवल विदेशियों के लिए
नहीं

राज्यों का तेजी से
एकीकरण और एक
कुशल जीएसटी

वैश्विक ब्रांड, जीवीसी में
वर्चस्व, बहुत अधिक
निर्यात

प्रति व्यक्ति आय बहुत अधिक
(अतः बहुत उच्च वास्तविक
सकल घरेलू उत्पाद)

अत्यधिक गरीबी का
शून्य स्तर

**एक महाशक्ति
अर्थव्यवस्था**

**A SUPERPOWER
ECONOMY**

**A SUPERPOWER
POLITY**

**A SUPERPOWER
MILITARY**

**SUPERPOWER
INDIA**



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graph LR; A[A SUPERPOWER ECONOMY] --> D[SUPERPOWER INDIA]; B[A SUPERPOWER POLITY] --> D; C[A SUPERPOWER MILITARY] --> D;
```

एक महाशक्ति
अर्थव्यवस्था

एक महाशक्ति राजनीति

एक महाशक्ति सेना

महाशक्ति भारत

