



Can the world economy bank upon India for growth?

## Description

### Background :-

- The exchange of international goods in monetary terms is called the world economy.
- India is the sixth largest economy according to nominal GDP and third largest according to purchasing power party (PPP).

### Yes :-

- With the tag of sixth largest and third largest economies, India has also become the world's fastest growing major economy over China. This shows that the world economy can be relying on our country.
- The World Bank recorded a growth in economy of India in the fiscal year 2015-16 to grow by 7.6%. India's growth is expected to rise to 7.2% in the 2017–18 fiscal and 7.7% in 2018–19 according to the IMF.
- India has become a major exporter of IT services, Business Process Outsourcing (BPO) services, and software services with \$154 billion revenue in FY 2017. India also has the largest startup hub. Over 3,100 technology start-ups in 2014–15 have been recorded.
- To gain momentum and boost up the economy, government is discarding fiscal ideas and increasing capital spending by the government. The quarterly GVA have also seen a rise. Trade, hotels, transport, communication and broadcasting rose from 6.5% to 11.1% in the 4<sup>th</sup> quarter, which is faster than 8.9% from previous year. The civil aviation sector saw passenger traffic rising by 15.6%, and construction activity, a provider of jobs, also ticked up by 2%.

### No :-

- The country's economy accounts for little more than 3% of global output. China is almost four times as large, while the United States is still responsible for more than a fifth of all economic activity.

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- The import percentages of India are far behind to cope up with the major exporters of the world like China, Germany and USA, Japan. It accounts for just 2.3% of total world's import. USA has 12.64% and China has 10.26% imports instead. India has to increase its rates by 35% to match these countries for world economy.
  - The sudden implication of GST and demonetization has made the progress in economy slower. The damage to the economy being made will be then added to the GDP which will hold back India all the more.
  - China is an importing source for India's economy and china is now facing a downhill in its own economy. This can affect its economical partners which includes India. China is currently transitioning towards a model focused on domestic consumption, services and innovation. This will reduce export to other countries and hence, a reduction in import for India.
  - The share of investments is the principal growth factor in the economy. This, in the GDP has declined steadily for the past five years. The decline in private investments has led to decline in government investments too. Therefore, new jobs are not getting created and economy becoming stagnant.

### Conclusion :-

- According to the IMF World Economic Outlook database October 2015, India's 2015 share at market exchange rates measured in current dollars was 4.8%, and 7.1 % at PPP. This was higher than that of China which was 3.4% at market exchange rates and 4.5% at purchasing power parity (PPP) in 1999.
- The sudden demonetization and GST might have a better outlook a few years later but it has quite worsen the present economy.

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**Afterwords :-** Feel free to comment your opinions in the comments section below.

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