Performance of Indian Economy since 2000 – An Evaluation

S.N. Sugumar, M. Ramesh, B. Chithirairajan, S. Thangamayan, S.Chandrachud

Abstract: ***Growth and development are the fundamental as well as the basic objectives of all the developing countries in the world. On the other hand, maintaining the economic stability is the major goal of all the developed countries. Each nation has her own economic policies so as to develop its economy. The development of a country can be indicated and understood by examining the major economic variables. Increasing real per capita income over a period of time will indicate the economic development of a country. Therefore, the authors made an attempt to evaluate the performance of Indian economy in terms of GNP, general price will indicate the stability of Indian economy and the living standard of people in a country. Therefore, the authorities made an attempt to evaluate the performance of Indian economy in terms of GNP, general price, imports and exports since 2000. As per the analysis on the basis of certain macroeconomic variable, the growth rate of GDP of India was greater than the per capita GDP that indicates the increasing inequality in India in the last two decades. The purchasing power of the people and the value of money are fluctuating and the economy was unstable. India's GDP share in the world output is insignificant. The growth of imports of India is greater than the export which indicates unfavorable balance of payment in case of India's international trade.***

Key Words: Growth, Development, Per capita income, GDP, Imports, Exports, Inflation.

I. INTRODUCTION

Growth and development are the fundamental as well as the basic objectives of all the developing countries in the world**2**. On the other hand, maintaining the economic stability is the major goal of all the developed countries. Each nation has its own economic policies so as to develop its economy. **3**The development of a country can be indicated and understood by examining the major economic variables. Increasing real per capita income over a period of time will indicate the economic development of a country. **1**International trade balance will indicate the trends of import and export which in turn implies growth of output as well as the contribution towards the world economy. The growth rate of general price will indicate the stability of Indian economy and the living standard of people in a country. Therefore, the authors made an attempt to evaluate the performance of Indian economy in terms of GNP, **4**general price will indicate the stability of Indian economy and the living standard of people in a country. Hence, the authors made an attempt to evaluate the performance of Indian economy in terms of GNP, general price, imports and exports since 2000.

II. OBJECTIVES

To evaluate the performance of Indian economy in terms of GDP and general price level.

To examine the level of imports and exports of India since 2000.

III. METHODOLOGY

A few macro-economic variables were selected for evaluation. The analysis is completed based on secondary data.

IV. STATISTICAL TOOLS

Simple percentage analysis, correlation, Durbin-Watson Test model are used to evaluate the performance of Indian economy in terms of GDP.

V. HYPOTHESIS (HA)

There is significant relationship between GDP and Per capita GDP in India.

Table 1 India's GDP Growth Since 2000

Year	GDP (in billion US $)	GDP Per Capita (in US $)	GDP Growth (Real)	Inflation Rate (in Percent)	Govt. Debt (in % of GDP)
2000	2077.9	2018	4.0	5.6	73.6
2001	2230.4	2130	4.9	4.3	78.7
2002	2353.1	2210	3.9	4.0	82.9

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2003	2590.7	2395	7.9	3.9	84.2
2004	2870.8	2612	7.8	3.8	83.3
2005	3238.3	2901	9.3	4.4	80.9
2006	3647.0	3218	9.3	6.7	77.1
2007	4111.1	3574	9.8	6.2	74.0
2008	4354.8	3731	3.9	9.1	74.5
2009	4759.9	4020	8.5	11.0	72.5
2010	5312.4	4425	10.3	9.5	67.5
2011	5782.0	4750	6.6	9.5	69.6
2012	6214.5	5037	5.5	10.0	69.1
2013	6727.3	5383	6.4	9.4	68.5
2014	7362.5	5814	7.4	5.8	67.8
2015	8036.3	6264	8.0	4.9	69.9
2016	8787.9	6761	8.2	4.5	69.0
2017	9596.8	7287	7.2	3.6	69.8
2018	10505.2	7874	7.1	3.5	-69.8

Source: UN Data / Country Profile / India

VI. THE TRENDS OF GDP IN INDIA

As per available data (Table 1) the Gross Domestic Product of India constantly increases over a period of time. It was increased from 2277.9 billion US $ in 2000 to 10505.2 billion US $ in 2018. Almost in two decades GDP of India was increased by 10 times whereas the per capita GDP was increased from 2018 billion US $ in 2000 to 7874 billion US $ in 2018. The available data reveal that per capita GDP was increased by 3.9 times for the same period. The growth rate of per capita GDP is much less than the growth rate of GDP in India. The gap between them may be caused by the rapid growth rate of population and it also indicates the increasing income inequality in India. Percentage of GDP of India was 4.16 in 2000 and it was increased to 7.77 in 2018. When compare the growth rate of India's GDP with the counties in the world, the percentage of India's share was just doubled but the growth rate of GDP was increased by 10 times. This indicates that India's GDP increases but its share in the world output is very less and it should be enhanced.

VII. THE TRENDS OF INFLATION IN INDIA

In fact, the inflation rate is very important variable which determine the value of money as well as the purchasing power of the people. Higher the inflation rate lower the value of money and the poorer the purchasing power of people. In the last two decades, on an average the inflation rate was 6.3 per cent and it was highly fluctuating over a period of time. Hence, the value of money and the purchasing power of people will be fluctuating and it indicates economic instability in India.

Table 2 Correlation between Overall GDP and Per capita GDP in India Since 2000

Variable	Tools	Overall GDP	Per Capita GDP
Overall GDP	Pearson Correlation	1	.999
	Sig		.000
	N	19	19
Per Capita GDP	Pearson Correlation	.999	1
	Sig	.000	
	N	19	19

****. Correlation is significant at the 0.01 level (2-tailed).**

Table 3 DURBIN-WATSON TEST MODEL

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.987[a]	.974	.973	304.25558	.974	637.951	1	17	.000	.218

Table 2 and 3 show the coefficient of correlation between India's GDP and per capita GDP is 0.99 at 1 percent significant level. It can be inferred from the correlation analysis that there is very high correlation between GDP and per capita GDP in India. It indicates that the per capita GDP increases as the GDP increases and it implies that the growth of population in India is under control and its negative impact on distribution of income is insignificant.

VIII. TRENDS OF IMPORTS AND EXPORTS IN INDIA

The available data indicate that the total exports of India was 1950.29 billion US $ in 2001 and it was increased to 17141.61 billion US $ in 2018.

India's export was increased by 8.9 times in the last two decades whereas the total import of India was increased by 13 times for the same period. The data on India's exports and imports indicate that the India's import is greater than export which shows that India's liability towards foreign countries is increasing and our share in the international market is insignificant and also it is vivid that India's dependency on foreign countries is increasing and the economy is not obtained self- sufficiency.

Table 4 India's Foreign Trade (Rs. in Billion)

Year	Exports	Imports	Trade Balance
2000-01	1950.29	2308.73	-273.02
2001-02	1989.11	2452.00	-361.82
2002-03	2426.68	2972.06	-420.69
2003-04	2933.69	3591.08	-657.41
2004-05	3439.35	5010.65	-1257.25
2005-06	4048.85	6604.09	-2039.91
2006-07	4872.59	8405.06	-2687.27
2007-08	5416.72	10123.12	-3564.48
2008-09	7173.57	13744.36	-5336.80
2009-10	7126.35	13637.36	-5182.02
2010-11	9541.43	16834.67	-5405.45
2011-12	11980.45	23454.63	-5795.04
2012-13	13035.00	26691.62	-10348.44
2013-14	15217.63	27154.34	-8104.23
2014-15	15503.63	27370.87	-8406.41
2015-16	15167.47	24903.06	-7739.21
2016-17	16379.25	25776.75	-7282.42
2017-18	17141.61	30010.16	-10454.75

Source: Directorate General of Commercial Intelligence and Statistics

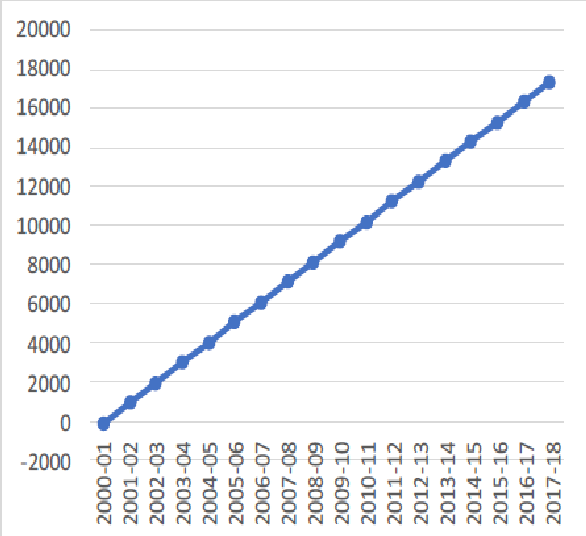

Fig. 1.India's Export Since 2000

IX. DISCUSSION

The analysis implies that the government of India should evolve appropriate policies to enhance the level of exports, import substitutions and GDP of India. It is also important to have a stable economy along with socially acceptable even distribution of income.

X. CONCLUSION

As per the analysis on the basis of certain macroeconomic variables the growth rate of GDP of India was greater than the growth rate of per capita GDP that indicates the increasing income inequality in India in the last two decades. The correlation coefficient between GDP and per capita GDP indicates that the distribution of income is not influenced significantly by the growth rate of population in India. Table 1 also indicates that India's share in the international market should be enhanced. Table 2 indicates that the level of India's exports increase whereas the increasing trend of India's imports shows India's dependency on foreign countries. It is also vivid from the table 2 that balance of payment is not favourable to India. The purchasing power of the people and the value of money are fluctuating and the economy was unstable. India's GDP share in the world output is insignificant. The growth of imports of India is greater than the export which indicates unfavourable balance of payment in case of India's international trade.

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