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Economic growth of India: A comparative study between Modi Ji led NDA & Monmohan Singh led UPA government

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Abstract

The Human Development Index (HDI) is not very promising for India because of imbalances. The basic parameters of HDI are education, health and health care products, the average income of the citizen. Our country is placed as the 6th largest economy with a present GDP of USD 2.59 trillion in 2018. A significant economic development is noticed during two of our honourable Prime Ministers, Dr. Monmohan Singh and Shri Narendra Modi. The present research does a critical analysis of the economic development during their period. In this part, the researcher has discussed on the crucial part of the different sub-sectors which contributes to the Indian economy.

Keywords: Indian economy, economic development, GDP, HDI

Introduction

The economy is the backbone of any country. Different countries of the world are categorized into developed, developing and under-developed based on their economic condition. If a country's economy is strong, they follow the developmental path at a great pace. There are several countries in the Asian sub-continent which are behind India in economic growth because they don't have a perfect base for their economy. The Human Development Index (HDI) is not very promising for India because of imbalances, as reported by UNDF. These imbalances herms the economic growth of our country. India stood in 130th position out of 189 countries of the world in Human Development Index with six hundred and forty points. Srilanka, China was far away from our country, but Bangladesh, Pakistan, Nepal, Bhutan were behind us. The basic parameters of HDI are education, health and health care products, the average income of the citizen, India should be more cautious in these matters. Our country is placed as the 6th largest economy of the globe with a present GDP of USD 2.59 trillion in 2018. Prime Minister, Mr. Narendra Modi is hopeful to reach a USD five trillion economy with an accelerating rate of eight per cent within 2022. A significant economic development is noticed during two of our honourable Prime Ministers, Dr. Monmohan Singh and Shri Narendra Modi. The present research does a critical analysis of the economic development during their period.

Literature Review

The economy is defined as 'careful management of best available resources of a country. It is also termed as the systematic management of finance-related facts and issues for a particular country's habitats, trade and commerce or maybe family-related activities. It is also strongly related to the share market of the country. Sometimes, the economy deals with production, consumption of people and distribution system. The currency of a nation and its rate of exchange is also strongly denoted by its economy. According to Lundvall, B. Å., & Johnson, B. (1994), the most fundamental base of a country is its economy. Holton, R. J. (2013) has given more emphasis on the market-based economy by relating the nation's economy with the present market. Carson Carson, A. (2009) ^[9] coined a new term by defining it as 'aesthetic economy'. Polanyi, K. (2018) described the economy as an institutional process. Weber, M. (2019) ^[5] related economy with the society. He has mentioned that the economy is a sociological base of a country. Perrings, C. (2005) ^[6] narrated the economy as a part of the environment. He has mentioned that the economy has a significant impact on the environment, and it is closely associated with environmental changes across the globe.

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Kenen, P. B. (2000) [1] described the economy as a part of the international system where any ups and downs in any nation's economy can affect or be affected by the international community. Kurke, L. (1993) [8] has a related economy with the culture where he demonstrated the effects of the economy on the country's culture. As an example, the culture of a developed country will be remarkably high compared to an underdeveloped country. Rothbard, M. N. (2009) [9] mentioned in his book that economy has different sub-sectors, and they are equally important for the growth of a country. These sub-sectors are generally, known as basic parameters of an economy. Bill, W., & Sales, R. (2016) [10] also highlighted a few main parameters that are responsible for the economic development of a nation. Economic development is measured by different researchers at different times. Boserup, E., Tan, S. F., & Toulmin, C. (2013) [11] highlighted economic development as a process of a nation. Cypher, J., & Cypher, J. M. (2008) [12] added a new word called up-to-date development. Schumpeter, J., & Backhaus, U. (2003) [13] revealed that economic development is the second important problem of any country. They described that every country gives priority to economic development after political instability. Gurley, J. G., & Shaw, E. S. (1955) [14] dealt with the financial aspects of economic development. Ranis, G., & Fei, J. C. (1961) [15] related economic development with the agricultural segment. They mentioned that the steady growth in the agricultural sector can enhance the economic development of a country. In other words, agri-segment development can be an essential tool for the economic development of a country, and it can be an appropriate alternative to industrial growth in under-develop and developing countries in Asian and African sub-continent. King, R. G., & Levine, R. (1994) [16] has agreed that economic development has a strong relationship with capital fundamentalism. Drucker, P. F. (1958) [17], maybe for the first time, throwing light on the promises of economic development by the politicians and marketing it as an election tool. Posner, R. A. (1998) [18] placed some arguments that no nation can go for economic development without a strong legal framework.

Discussion and Analysis

In this part, the researcher has discussed on the crucial part of the different sub-sectors which contributes to the Indian economy. Food and agriculture are important because they employ the greatest proportion of the labour force in the economic system and are most important to the poorest segments. In terms of agriculture, both governments experienced 3.5 per cent annual growth on average during their first seven years in office. However, on the front of

food and fertiliser subsidies, the NDA Govt. has broken all records in the FY 2019, spending Rs 6.52 lakh crore and collectively grain stocks exceeding one hundred million tonnes by mid of 2019. This reflects the huge ineffectiveness in our country's GMS, and Modi Ji has backed by and from reformation this segment. Agri-exports were one segment in which the NDA government underperformed.

Infrastructure development is vital for the country's economic long-term expansion. The Modi government has increased energy production from seven hundred and twenty Bn units per year during UPA's initial 7 years to one thousand two hundred and eighty Bn units per year. Correspondingly, road construction was almost thirty per cent faster during the BJP administration.

It could also be useful to evaluate the first seven years of the UPA government (2004 to 2010-11) under UPA Government. The former Prime Minister's s commented, "History will be kinder to me than the contemporary media," made during addressing a press meet in the beginning of 2014. GDP growth is one of the most important economic indicators. It is not perfect because it does not specifically capture the impact on the poor or inequality, but higher GDP growth is considered critical to economic performance because it increases the size of the economic pie. According to the infographics below, the average annual rate of GDP growth under the NDA administration was approximately 4.8 per cent. But Modi Ji's achievement in this segment is lower compared to UPA Government led by Dr. Monmohan Singh.

It is well inside of the required tolerances of the Reserve bank of India's inflations band, and it is also significantly lower than 7.8 per cent during the first 7 years of the UPA administration. Furthermore, at the macroeconomic scale, FOREX reserves protect the economy from external shocks. The Modi government also performs admirably in this regard, with forex reserves increasing from USD 313 Bn in May 2014 to USD 593 billion on May 21 2019.

In the social sector, which is critical for the bottom of the economic pyramid. After 2011, India does not have any accurate statistics from the govt. on India's manpower poverty levels. Later years' NSSO consumption polls have not been released. However, using an international definition of extreme poverty (2011 PPP of USD 1.9 per capita per day), the World Bank estimated India's extreme poverty in 2015 to be around 13.4 Percent, parallel to the ground from 21.6 percent in Financial year 2011-12. In 2015-16, the prevalence of poverty measurement was around 28 per cent

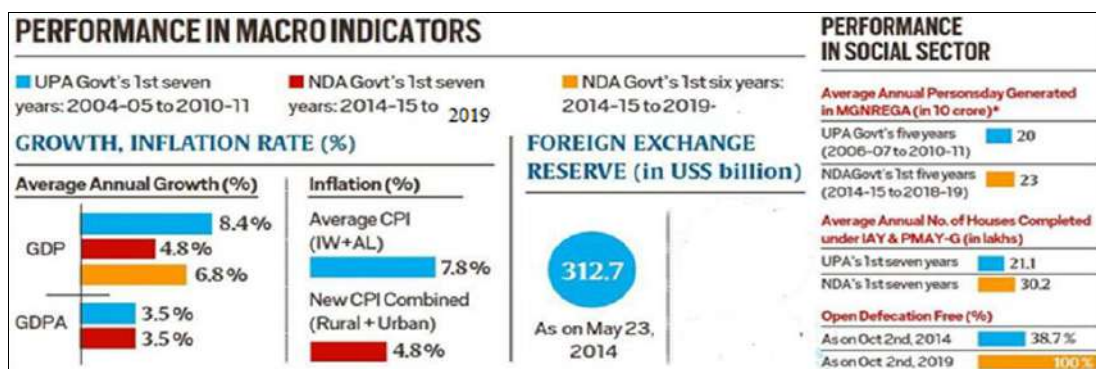


Fig 1: Comparison of Performance Indicators of UPA & NDA Government

NDA Government led by Modi Ji came into thrown in the year 2014, and started giving more emphasis on economic development and promised for a better tomorrow for the Indian people. It was the time when Indian economy was in a very bad shape. GDP growth and retail price infatuation was the major aspects of worry. However, there were not much significant growth in economy in his first five years administration but he could able to settle these issues in a very serious manner by introducing proper mandates. Finally, NDA Government again could settle down another tenure with absolute majority and Prime Minister, this time

had introduced a better and bigger mandate for the economic reforms of the country. An absolute majority in Government had empowered him with better administration and passing more ‘bills related to economic reforms’ in the Parliament.

Prime Minister, Modi had directed his entire effort towards few determinants that could help our country to economic development. They are GDP, 2 Things Stand out, GDP per capita, Unemployment rate, Inflation rate, FISCAL Deficit, FOREX Reserve Development.

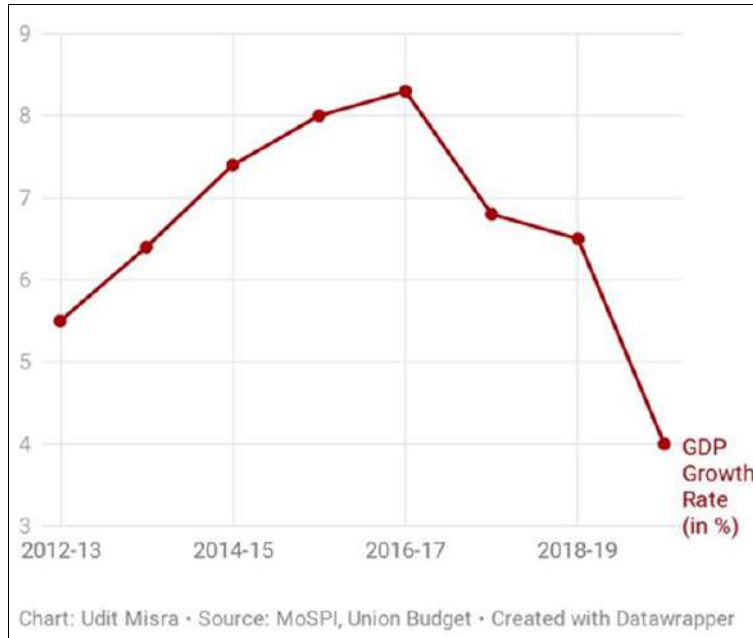


Chart 1: GDP rate in %

The above mentioned chart proves that both UPA and NDA Government had ups and down in the GDP growth. MODI

led Government had a better scenario till 2018 but the growth was restricted and had a massive downfall in 2019.

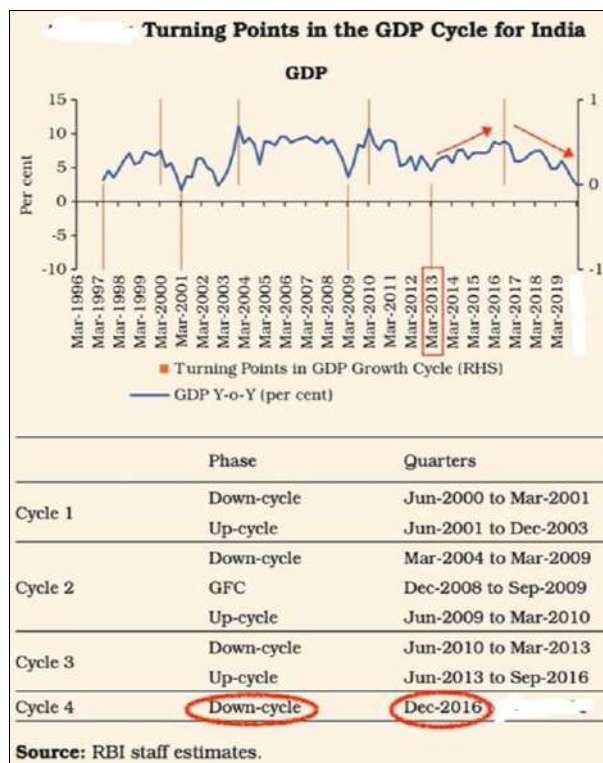


Fig 2: Turning point in the GDP cycle fog India

In the above – mentioned figure, the researcher has pointed out the growth of GDP of India for a specific period. The data reveals that the GDP growth was remarkably down during 2016 – 17, and it saw a pick between 2011-2012 and 2016 -2019 with an accelerating rate of 8.2 percent. During 2016 -2017, India experienced demonetization, Still

economy had grown with a greater pace. Another significant growth in GDP was noticed in between 2009 – 2010 and 2013 – 2014 when UPA was on the government. It is evident from the above mentioned chart that NDA has better performed than UPA in term of GDP growth.

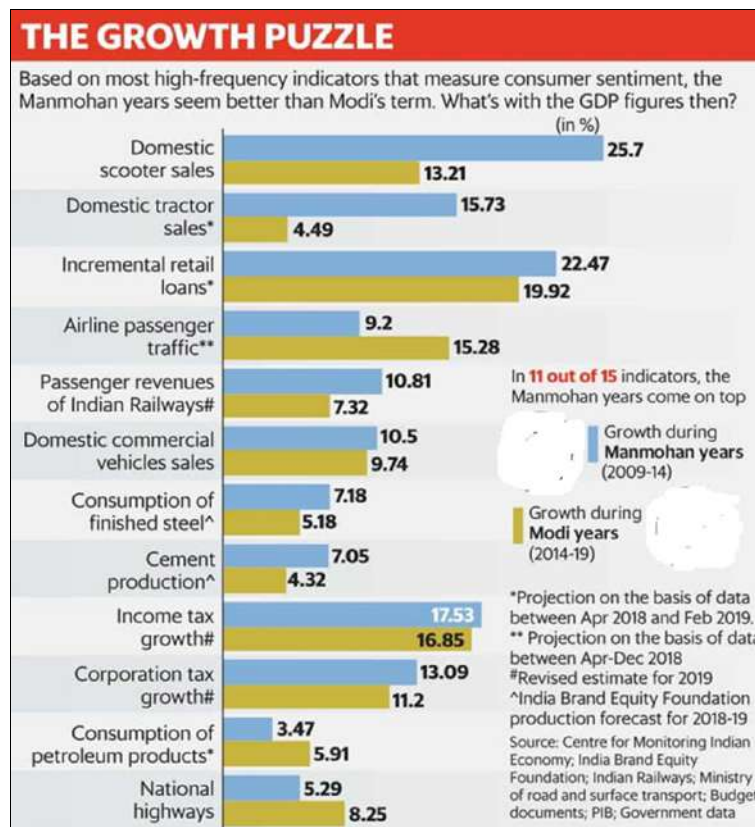


Fig 3: The growth puzzle

The above mentioned figure actually coined as the components of economic growth. Fifteen parameters have been chosen very carefully which suggests that eleven growth parameters were better performer during UPA administration than NDA administration. It was also noticed that the second tenure of PM Modi was significantly bad than his first tenure. Hence the comparison was done between best of NDA vs worst of UPA.

Domestic 2-wheeler Sale: UPA was far better than NDA. UPA saw a growth of 12.44 percent whereas NDA had a growth rate of 5.35 percent. Scooter selling was far better in UPA government than NDA accounting for 25.7 percent and 13.21 percent.

Car Selling Rate: UPA showed better performance than NDA with a growth rate of 7.92 percent.

Domestic tractor sales: NDA was far behind in tractor sale. UPA had a year on year growth rate of 15.73 percent whereas NDA accounted for a growth rate of 4.49 percent.

Incremental retail loans growth: Retail loans given out by banks during the NDA era are expected to grow at 19.92% per year in comparison to 22.47% per year during the UPA era.

Aviation traffic: NDA left UPA behind with a growth rate

of 15.28 percent whereas the same grew at 9.20 percent during UPA administration.

Passenger revenues of Indian Railways: NDA was behind compared to UPA led government.

Domestic commercial vehicle sale: Commercial vehicle sales increased at a 9.74 per cent annual rate during the NDA administration. They had grown at a rate of 10.50 per cent per year during the UPA years. Growth in commercial vehicle sales has been robust during the NDA years, though it may have been slower than during the UPA years. This is primarily due to the Modi administration's road-building initiative.

Cement production: Cement is a key indicator for growth in construction industry. UPA was better performer with a growth rate of 7.05 per cent compared to NDA with a growth rate of 4.32 per cent.

Consumption of finished steel: Consumption of finished steel is expected to increase 5.18 per cent every year during the NDA administration, compared to 7.18 per cent every year in the UPA period.

Income tax growth: The scenario in tax growth during NDA was 16.85 per cent in comparison to UPA with 17.53 per cent, which is marginal.

Corporation tax growth: UPA performed better than Modi led NDA government in this regard.

Consumption of petroleum products: NDA performed better than UPA as Modi Ji led government saw a growth rate of 5.91 per cent in comparison to 3.4 per cent during UPA government.

Inflation rate: NDA was better performer compared to UPA.

Household financial savings: Modi Ji led NDA performed much better comparing UPA government.

Road construction: NDA, obviously much better performer than UPA, and they could able to achieve great success in securing our international borders by constructing approaching roads.

Conclusion

From the above mentioned statistical analysis, is clear that Modi led NDA did not performed better than Monmohan Singh led UPA government, but NDA could able to reach people who are below the poverty line. The NDA government was more well fare oriented, and they adopted a slow paced developmental policy which would lead them to long term economical growth.

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