

August 2022 Edition



ANALYSIS REPORT ON INDIAN ECONOMY SINCE INDEPENDENCE



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Way forward

While celebrating the 75th year of its Independence on 15th August 2022, India with its head high with pride on its diversified culture and eyes on inclusive economic growth is set to become a US\$ 5 Trillion economy by 2026-27. It is expected to be doubled by 2033-34 and will touch the mark of US\$ 10 trillion as per India's Chief Economic Adviser and continue its journey to be on the list of developed nations by the time country will celebrate the 100th year of Independence in 2047.

These 75 years after independence have seen various economic planning and development phases. The last 7 years have witnessed new energy pumped into India's economic chronicle where the people's participation and responsiveness towards economic growth are made subjective to the economic prosperity of the country. This is the time when the Indian economy is proving its robustness and stability time and again on the various gloomy incidents such as Covid 19 pandemic, International Market Volatility, Fuel Crisis, International Disputes, High energy prices, etc.

The current policy framework is providing the Indian economy a breeding ground to flourish and enjoy the fastest growth phase with the development of all the fundamental areas of this vast economy such as infrastructure, agriculture, manufacturing, engineering, etc. Most international rating agencies such as S&P Global Ratings projected India's Gross Domestic Product (GDP) to be the fastest growing economy with a rate of 8%.

Being the second most populous country in the world, India is enjoying the status of diverse yet mature democracy with a rich cultural and historical heritage. Still, India is famous to absorb international changes, shocks and financial disturbances very well while keeping its economic growth momentum unshaken.

The government initiatives like PM Gatishakti master Plan, Atmanirbhar Bharat, Make In India, Digital India and Production Linked Incentive schemes have changed the growth saga of the Indian economy. This has made it more strong, more resilient and more responsive toward global turnarounds and prepared itself to adjust to any unexpected economic hick-ups in this globalization era.

The presence of a large market, rising customer demand and increasing ease of doing business have projected India to be one of the favourite destinations for international investors as well as companies. The large young population and rising innovation with entrepreneurial culture have set the standards of the Indian economy very high. They made the ideas of tinkering minds realistic to believe in and achieve their vision for making India an economic powerhouse in the coming years.

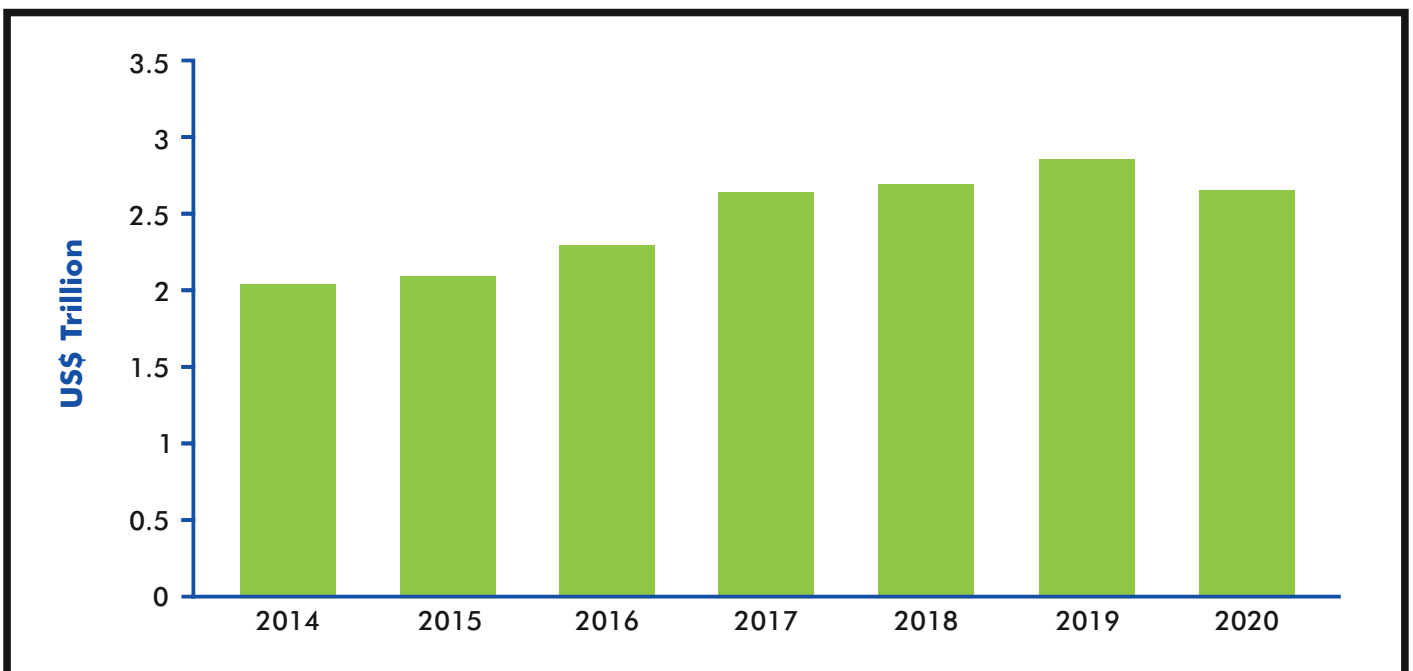


India bearing the badge of the world's fastest-growing economy is continuously showing signs of economic recovery after being a testimony to three major waves of Covid 19 pandemic. Each sector of the Indian economy including manufacturing, infrastructure and services are making progress to provide the required thrust to the growth of the country in all its sphere.

The Indian economy is majorly divided into three sectors for better governance and administration monitoring which are categorized as primary, secondary and tertiary. This is later divided into two broad categories based on organizational ownership i.e., the Public and Private sector. Since its independence, India's growth is majorly dependent on the growth of primary sectors like agriculture that are hugely dependent on natural resources. But over time especially in the last decade, when the population and urbanization are on the rise and natural resources are depleting, the service sector has played a major role in the scaling up of India's economy.

Even in the roadmap of making India a US\$ 5 trillion economy, the service sector is going to share the highest proportion of about US\$ 3 trillion followed by the US\$ 1 trillion share from the manufacturing sector and the rest US\$ 1 trillion share from agriculture and allied areas. Thus, with the government's continuous efforts and policy support, the manufacturing and infrastructure sectors are also set to play an all-time high role to support the trajectory of India's economic prosperity along with the continuous booming service sector.

India's Gross Domestic Product



Source: <https://www.ibef.org/economy/indian-economy-overview>

Through Union Budget 2022-23 and the stimulus package during the covid 19, the Government of India has set the long-term vision for the growth and stability of the economy. The same is evident

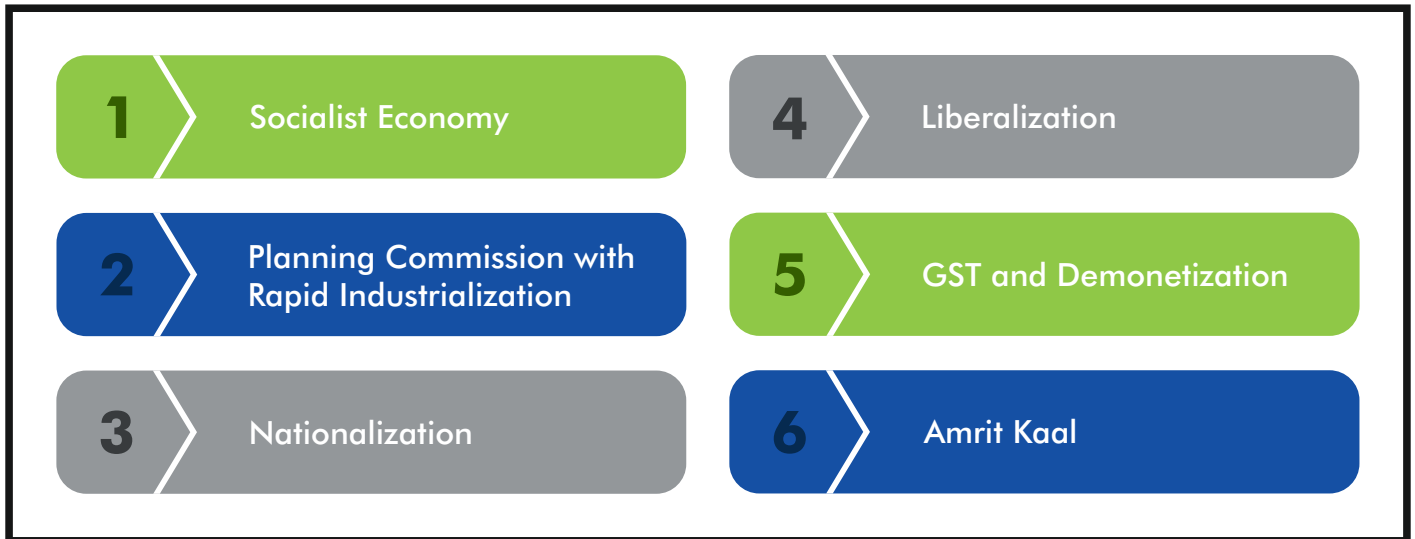
in the various economic indicators in 2022 amid the volatile international scenario. The key indicators can be seen as a quick fact as under:

S. No.	Economic Indicator	Evaluation Period	Statistics
1	Nominal GDP at Current Prices	In the fiscal Year 2022	US\$ 3.12 trillion
2	Foreign Exchange Reserves	As on 8 July 2022	US\$ 580.25 billion
3	Overall Export	April-June 2022	US\$ 189.93 billion
4	Overall Import	April-June 2022	US\$ 235.11 billion
5	Core Industry Index	May 2022	148.1%
6	Index of Industrial Production	May 2022	137.7%
7	Consumer Price Index	June 2022	7.01%
8	Wholesale Price Index	June 2022	154%
9	Goods & Services Tax (GST) Collection	June 2022	US\$ 18.1 billion
10	Foreign Direct Investment (Outward)	June 2022	US\$ 14.1 billion
11	Private Equity and Venture Capital Investment	June 2022	US\$ 4.9 billion

Along with this, during the Covid 19, disruptive innovation has captured the Indian market and given new heights to the startup ecosystem of the country. India is currently the home of more than 100 unicorns which are continuously increasing their market share and are valued at around US\$ 333 billion. This unprecedented growth during the testing times of the pandemic has made India the third largest startup ecosystem in the world and continued to secure its place as the fastest-growing economy.



India is currently celebrating the Azadi Ka Amrit Mahotsav and the Indian economy is going to see a transformational shift after entering into “Azadi Ka Amrit Kaal” in all its sphere. Since independence, the Indian economy has seen exponential growth and witnessed the following phases of evolution in these 75 years:



At the time of independence, the colonial past followed economic policy measures of the country, and heavy industry development was found the key to economic prosperity. But a dire need for planning was felt for which in 1950, five-year plans were started to be made to keep a check on resources and other economic policy-making. The major focus of India's first five-year plan (1951) was focused on the agriculture sector to settle the foreign reserve drain due to agricultural products import.

Between 1950-90, under the subsequent five-year plans, the government started the nationalization of various industries and private companies across the nation with the motive to centrally manage the operations of important sectors like banking, insurance and transportation for the fast growth of the Indian economy.

This has blocked the fund allocation to the primary sector of the economy and resulted in worse food shortages and a major spike in inflation. During this phase, the green and white revolution worked as a saviour of the economy and helped to sail smoothly to refocus India's economic planning through primary sectors such as agriculture and allied activities.

India's economic landscape witnessed a policy shift when India faced a major crisis in terms of the balance of payment. In response to its bailout package to India, the International Monetary Fund (IMF) has put a demand that changed the fate and course of the Indian economy once and for all. In this phase, the government has ended the Licensing System and liberalized the economy that has allowed foreign companies and investors to put in investments and raised competition for public sector organizations in the country. This has given a new line to the economic development of the

nation and started attracting FDI through automatic routes in various promising sectors of the Indian economy.

However, the 21st century has unfolded major economic events in India and most of them were to cleanse and boost the Indian economy. Some of the major were overnight pan-India demonetization to flush out the black money from the Indian financial system in 2016 and the GST tax regime for the implementation of One India, One Tax in 2017.

Later the pumping of additional fund allocation into the Indian economy through stimulus packages prove its resilience during the unprecedented times of the Covid 19 pandemic. The Atmanirbhar Bharat initiative during this phase has also given new hope and direction to the growth of Indian economy and drove it into the path of self-sufficiency in the "Azadi ka Amrit Kaal" phase.

Every phase in this evolution journey has played a major role to bring India to the position where it is today. The focused and specialized approach in these phases has worked wonderfully to address the contemporary challenges and provided the necessary platform to leap to the other level. It has provided a strong fundamental to India's economy. In these few years, India has started addressing the corruption and black money issue through the overnight announcement of the note ban and increased the tax collection through a simplified tax regime including infrastructure development to support the economic prosperity of the country in the next 25 years to come.



Facts About India's Economy



India has a mixed economy



Half of the workers rely on agriculture



The cost of living is lower than in the U.S.



The Indian middle class is bigger than the U.S. middle class



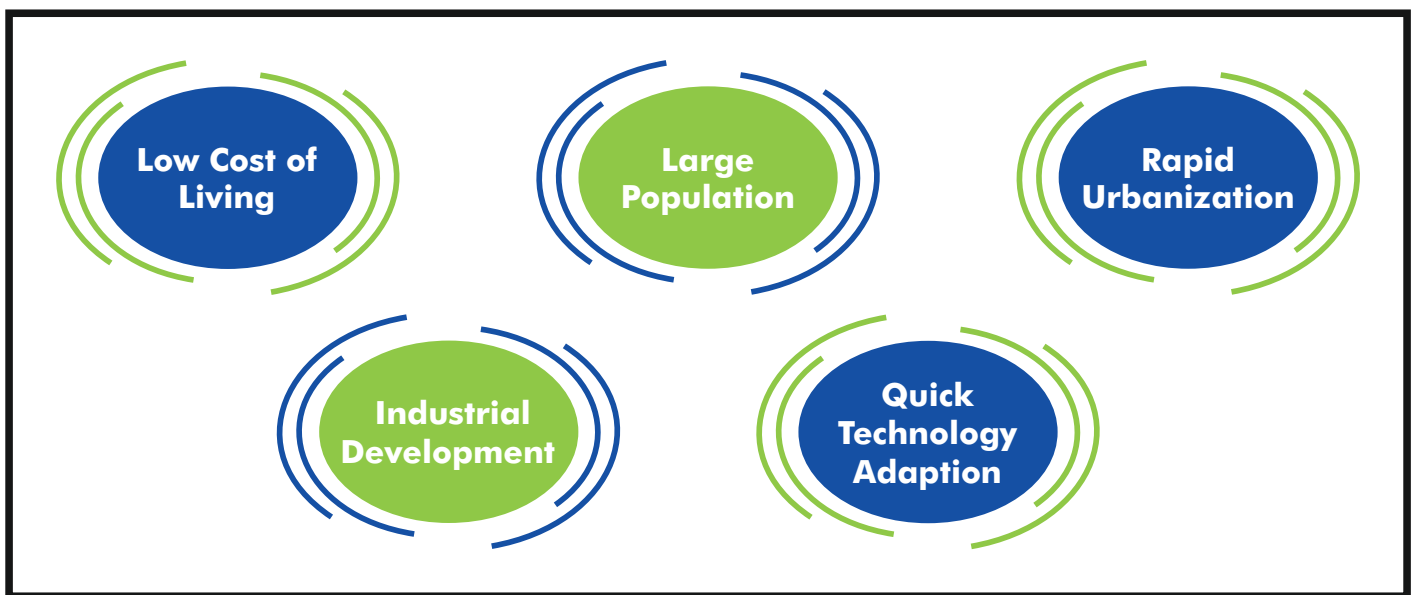
It's an attractive country for outsourcing, such as call centers



Bollywood contributes billions to India's GDP

India, a large country with diversity in all its aspect is armed with necessary macro and micro growth drivers to boost its growth and stand rock solid across the other developed economies of the globe. India has become the fastest-growing economy in the world with the real GDP growth in the financial year 2021-2022 standing at 8.7% and showing the following opportunities to work as growth drivers:

Economic Growth Opportunities available for India

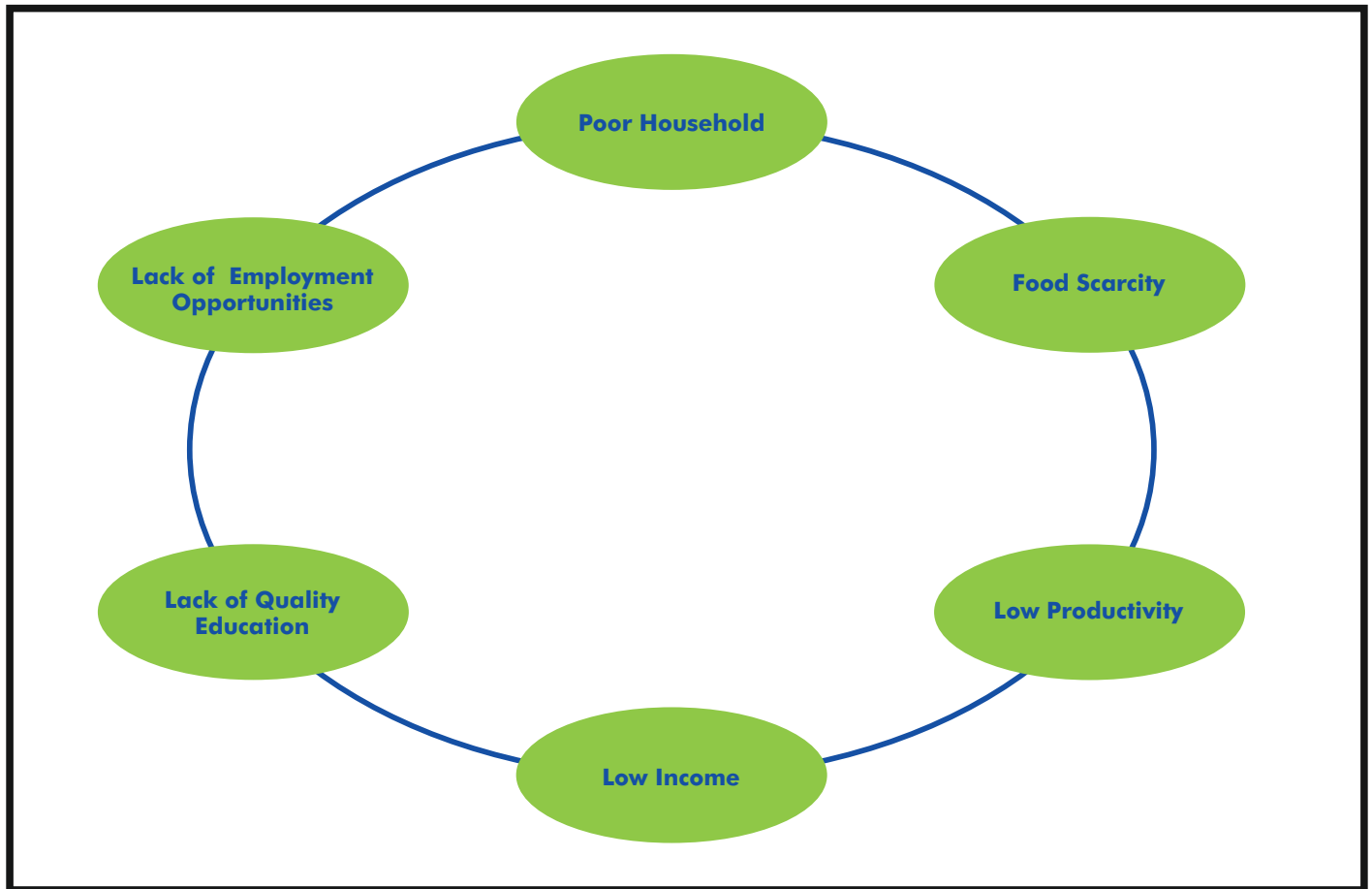


With the increase in population and a higher rate of urbanization, a skilled and specialized worker pool to support the economic growth is developed. These people are in desire a better urban life and thus wholeheartedly contribute to the growth of the country as well as the economy. International diplomatic relations along with increasing trade with the US, Australia, Europe and other South Asian countries give testimony to the rising acclaim of India's foreign and trade policy that helps to boost export of the country in almost all the sectors of the economy as opposed to the state of the net importer at the time of independence.

The Government is influencing economic growth by changing the policy frameworks, changes in the tax regime and the composition of spending. The monetary policy of RBI plays an important role in setting up the momentum for the advancement of India's economy which also boost consumer demand and investment in the market.



But most of these scenarios on the continuous rise of the population have not created the desired impact and in turn, increased the burden on the economy itself. Some of which are as under that restrict the growth scenario of the economy at each level:



India is majorly dependent on natural resources for industrial development. But the increasing population plus decreasing resources has interrupted the demand and supply curve to a great extent. Lack of proper transportation, communication, banking, healthcare facilities and electric supply also leads to the underutilization of resources.

Thus to address these issues for economic advancements government is aiming for private investment through the PPP model which has been primarily encouraged for the infrastructural upgrade across the country. The great push to provide easy finance availability to businesses engaged in large-scale industries is also made to increase capital creation.

Indian economy is a two-face coin where opportunity and challenges are interrelated. Tackling a challenge will raise opportunities in that sector but may develop a challenge for other sectors. As well, turning the population burden into a population asset must be the target for the Indian economy. Additionally, a risk in the productivity of capital, for which there is a big scope in the public as well as the private sector can change the game. If these obstacles can be overcome by addressing through strong economic policy frameworks over the long run with the continuous infrastructural upgrade, it will tap the true potential of the Indian economy in near future.

Over the last 75 years, the Indian economy has shown many facets to the world and proved its resilience during the great recession in 2008, the Covid pandemic in 2019, Ukraine- Russia war in 2022, etc. The strong political commitment toward the growth of the country along with committed diplomatic relations with the other economies of the world has kept the interest of Indian citizens first while making economic decisions.

This transparent and clear political as well as administrative scenario along with continuous work towards increasing the ease of doing business and eliminating corruption has worked in favor of India's growth. It is providing an opportunity for domestic and international investors. This in turn is opening up new trends for India's working population of India and generating profit through higher consumption expenditure. With the due support of the Government of India, the rural economy of the country is also set to increase its contribution to the consumer market and by 2025, it is going to open up numerous business opportunities for startups, corporates and global players.

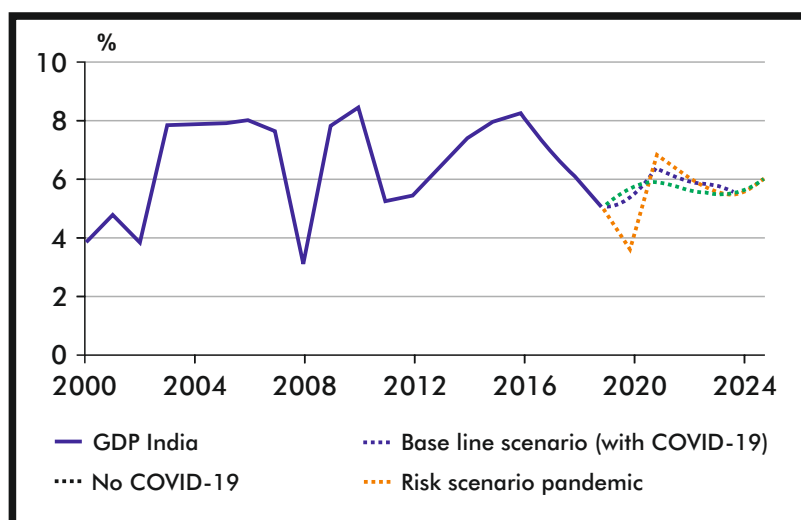
As the government has allowed 100% FDI in most sectors of the Indian economy through an automatic route over time, it became the preferred destination for investors across the globe, especially for Singapore, the USA, etc. In the fiscal year 2022, India has bagged its highest FDI flow of around US\$ 83.57 billion in contrast to around US\$ 45.15 billion in the fiscal year 2015.

The continuous budget allocation for infrastructural development across the length and breadth of the country has set the ground for the development of other sectors of the economy and undisruptive supply chain linkages even during the unfavourable times. This all provided strength to India's growing economy and makes it more robust and responsive to promote resource-efficient growth for its citizens as well as investors.



The unpredicted lockdown hampered the economies of the world at large. Millions of jobs and livelihoods were lost when all the economic activities were at rest due to the emergence of Covid 19. India's economic pursuit has also gone to a halt and transportation of goods across states was severely hampered. At the same time, there has been a complete collapse of consumer demand as millions of people postponed their non-essential demands in the wake of the Covid 19 restrictions. The manufacturing and construction sectors shrunk remarkably. As per the data between April to June 2020 released by the Ministry of Statistics and Programme Implementation, India's GDP dropped by 24%. The keen drop in GDP is the largest in the country's history.

The government has responded quickly and took several measures to limit human costs, stabilize the linkages of supply chains, and minimize the economic disruption through worth Rs 1.7 trillion stimulus packages in March 2020. The Union Budget 2021-22 has also announced various measures to support economic development in the post-pandemic scenario by focusing on the growth of the following areas:



As the economy gets unlocked, it has started to recover through continuous close monitoring by respective ministries. Within a year, it looks in better shape as more emphasis has been given to providing benefits to smaller businesses and startups including those operating in service sectors.

The continuous push to increase investments in health care, psychological well-being and social safety needs of the citizens has paved the way for reenergizing India's economic growth trajectory. The economic turnaround due to the covid-19 pandemic called for urgent policy responses and has been taken care of over time, but the timely intervention by the government has kept the Indian economy safe and enabled people to retain their jobs and incomes in less time than expected.

Health and Well-being

Physical and Financial Capital & infrastructure

Inclusive Development and Aspirational India

Re-activated Human Capital

Minimum government and Maximum Governance

With the Vision India@ 2047 initiative, the Indian economy is ready to enter into the Amrit Kaal and will precisely work towards becoming a developed nation in the next 25 years. The growing capital expenditure by the government accompanied by unprecedented higher tax collection has created a multiplier effect in boosting the economy.

Besides this, the continuous improving economic activity and export promotion schemes for most sectors have helped the economy to bring more foreign reserves to the country. The rationalization of tariffs and digitization of the economy has increased the expectation of more transparency and cost-effectiveness among the citizens while enhancing the competitiveness of the Indian economy among the other developed and growing economies of the world in the years to come.

The growth of the Indian economy along with the encouragement to develop a new work force in the market while addressing the gender gap issue has set new standards in this 75th year of India's economic journey. The holistic and inclusive growth of each sector of the Indian economy with strong policy support along with continuous investment in capital and infrastructure development is going to write the fate of "India 2.0" with golden ink on the global economic canvas.

My Vision for India in 2047 10 Lines



1. <https://www.indiabudget.gov.in/economicsurvey/doc/eschapter/echap01.pdf>
2. <https://rbi.org.in/scripts/AnnualReportPublications.aspx?Id=1315>
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18. <https://www.niti.gov.in/the-strategy-for-new-india>
19. <https://pib.gov.in/PressReleasePage.aspx?PRID=1830841>

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