# A Review of factors indicating current status of Indian Economy during the period 2018-2019.

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**1 Abstract: -** This purpose of this review is to study and analyze factors affecting economy to indicate current status of Indian Economy. It is significant from the point of view of taking stock of past economic events and formulation of policy/strategy for the immediate economic future of the country-India. Applied methodology is primarily based on secondary data available through renowned publications related to Indian Economy like Economic Times, Business Standard and various authentic websites like Association of Indian Bank, RBI, Ministry of Finance, and Ministry of Industries etc. Here various factors like GDP growth, Monitory and Fiscal Policy, Fiscal Deficit as a percentage of GDP, Crude Prices, NPAs, Growth Rate of Rural Wages, YoY-growth (%) in private final consumption expenditure, Industrial growth during June 2018 to June 2019, drop in India's Economic Ranking and Foreign Investments are considered. The outcome of the review is positive. This review points out that Indian economy has slowed down during the period 2018-2019, but there exist a hope that the economy may be brought to its own pace with changing policies of Indian Government and RBI. Uniqueness of the review is that it covers the authentic current latest economic data for the year 2018-19 and concludes positive outcome.

Key Words: Indian Economy, Status of Indian Economy, Slowing down of Economy, Sluggish Economy, Review of Indian Economy

**2 Introduction:** The principal aim of proactive finance ministry and Reserve Bank of India is to design, implement & monitor effectively for positive outcome related to Indian economy. These institutions are headed towards inclusive social growth, inflation control, and effective money supply to meet demand & supply equation at affordable, give & take interest rates to promote industrial, plus trading & business. While designing such money policies it is seen that no sector in the entire arena is missed and all are covered for inclusive positive growth using legal growth techniques. During 2014-19, much emphasis is given to eliminate crony capital, substantial reduction in non-performing assets, elimination of bad debts from balance sheets, help to business having some profit potential & control on deficit finance. In short, year 2014-19 is a period of cleaning the economic mess created before 2014 via liberal banking policies in India.

**3 Background Study:** On July 8, 2019**,** the Finance Minister Nirmala Sitharaman presented Union Budget 2019. Unfortunately it did not equate with expectations of Indian corporate sector as well as common persons to some extent. Leaving aside the Indian farming community, common persons and business community commented that Union Budget 2019 resulted extra economic burden which is undesired considering prevailing economic demand & supply equation plus tight monetary scenario. During 2018-19, Indian Economy suffered on the fronts exports, jobs creation, fiscal deficit, growth rate of wages etc. In fact, the first four months of financial year 2019-20, amounted to 64% of fiscal deficit yielding red alarm signal for stock taking & designing necessary monitoring policies.

**4 Research Problem:** During April 2019 to August 2019, abundant discussion has been conducted via many conferences & publication in NEWS papers/journals related to current status of Indian Economy. Immense data mining has been carried out related to status of key sectors/ economic indicators indicating some negative & some positive trends.

This review basically aims to answer the Research Problem whether Indian Economy is slowing down as indicated by review of various key sectors.

Discussion below is primarily to answer aforesaid Research Problem with the help of current statistical figures which are available with CMIE, Ministry of Finance, RBI & EXIM Bank of India.

**5 Analysis & Interpretation of Data: Table 5.1 shows that India slipped its position from 5th to 7th largest economy in the world.** Figures in US$ trillion

**Table 5.1: Country wise Economic Position**

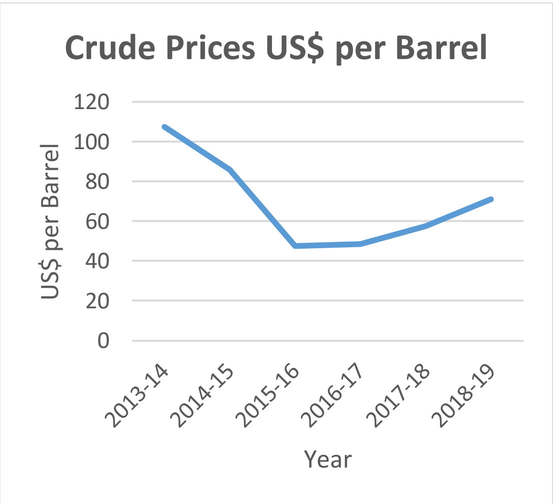
| Rank | Country | Year-2017 | Year-2018 |
|---|---|---|---|
| 1 | USA | 19.48 | 20.49 |
| 2 | China | 12.14 | 13.61 |
| 3 | Japan | 4.86 | 4.97 |
| 4 | Germany | 3.69 | 3.99 |
| 5 | UK | 2.64 | 2.82 |
| 6 | France | 2.59 | 2.78 |
| 7 | India | 2.65 | 2.73 |

The Rupee has emerged as the worst performing Asian currency during April to July 2019. US$/Rupee exchange change against US$ in July 2019 was -3.8%.

**5.2 Crude Prices**

**Graph 5.1: Crude prices during the years 2013-19**

**Graph 5.1**




During first three years crude prices favoured Indian Economy. From 2016 onwards crude prices firmed up creating inflationary pressure. Global trade trends remained poor due to US China trade war. Prospects of exports led growth remained very weak. Brexit also led to weak economic outlook.

**5.3 Total Private Consumption has slowed: -**

**Table 5.2: YoY % Growth in Private Consumption**

**Table 5.2**

| Year | YoY % Growth in Private Consumption |
|---|---|
| 2013-14 | 7.3 |
| 2014-15 | 6.4 |
| 2015-16 | 7.9 |
| 2016-17 | 8.2 |
| 2017-18 | 7.4 |
| 2018-19 | 7.2 |

Seven out of 16 key sectors contacted during last one year. 12 out of 16 economic indicators displayed reduction in % YoY growth.

**5.4 Negative Industrial Growth for June 2018 to June 2019 by sector YoY change%**

**Table 5.3: Sector wise Negative Industrial Growth**

**Table 5.3**

| Sector | % Growth |
|---|---|
| Passenger Vehicles | -16.3 |
| Commercial Vehicles | -23.4 |
| Motorcycles | -7.5 |
| Scooters | -16.3 |
| Non-Oil Exports | -5.7 |
| Port Cargo | -0.6 |
| Aviation Turbine Fuel | -0.4 |

**5.5 Financial Sector in a mess**

**Graph 5.2: NPA as a % of Total Loans**

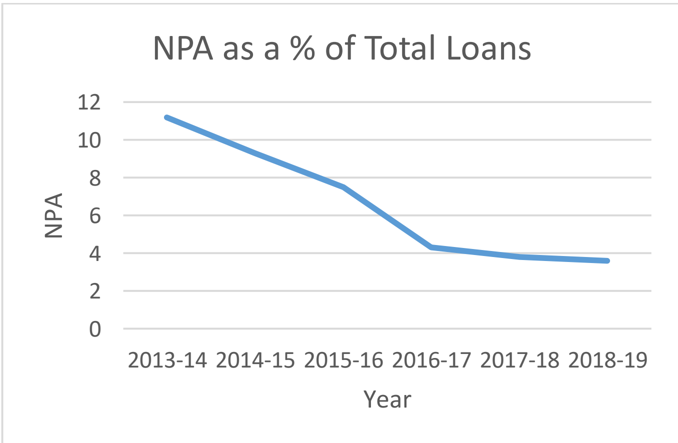



**Table 5.4: NPA as a % of Total Loans**

| Year | NPA as a % of Total Loans |
|---|---|
| 2013-14 | 11.2 |
| 2014-15 | 9.3 |
| 2015-16 | 7.5 |
| 2016-17 | 4.3 |
| 2017-18 | 3.8 |
| 2018-19 | 3.6 |

NPA ratio was very high during UPA –II period. It was brought in control NBFC stress started building up from 2017-18 Mutual funds, banks and corporate sectors are affected due to NBFC stress.

### 5.6 Growth Rate of Rural Wages in percentage of income

**Table 5.5: Growth Rate of Rural Wages in percentage**

| Year | Growth Rate of Rural Wages in percentage |
|---|---|
| 2013-14 | 28 |
| 2014-15 | 10.9 |
| 2015-16 | 4.8 |
| 2016-17 | 6.0 |
| 2017-18 | 4.3 |
| 2018-19 | 3.7 |

Non-food inflation was more than food inflation which resulted income transfer from rural to urban area. Government income transfer schemes helped to boost farm income. Rise in food prices also helped to boost farm income. Policy actions are toward increase in consumption rather than increase in investments.

### 5.7 Tight Monitory & Fiscal Polices

**Table 5.6: CPI Inflation & Repo Rate**

| Year | CPI Inflation | Repo Rate |
|---|---|---|
| 2013-14 | 8 | 9.4 |
| 2014-15 | 6 | 7.5 |
| 2015-16 | 4.9 | 6.75 |
| 2016-17 | 4.5 | 6.25 |
| 2017-18 | 3.6 | 6.0 |
| 2018-19 | 3.4 | 6.25 |

Since last 20 years, RBI's monetary policy is focused on inflation control. For example RBI never allowed food inflation to cross 4% level where as for inflation in general, the level maintained is between 8-10%. Hence in India Interest rates remained hard. RBI was very reluctant to reduce Repo rate & increase money supply in the economy. Here, a point may be noted that the combined fiscal deficit of states and Central Government remained high. Hence, there was little room to increase government spending to pump prime economy.

### 5.8 GDP:

**Graph 5.3 GDP- Year wise**

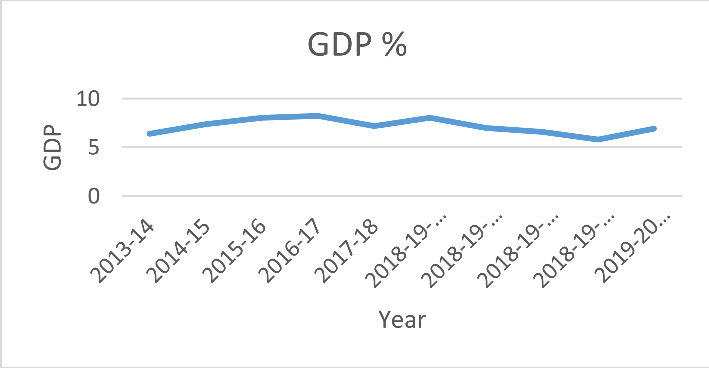



**Table 5.7**: **GDP- Year wise**

| Year | GDP % |
|---|---|
| 2013-14 | 6.4 |
| 2014-15 | 7.4 |
| 2015-16 | 8.0 |
| 2016-17 | 8.2 |
| 2017-18 | 7.2 |
| 2018-19-Q1 | 8.0 |
| 2018-19-Q2 | 7.0 |
| 2018-19-Q3 | 6.6 |
| 2018-19-Q4 | 5.8 |
| 2019-20 Prediction | 6.9 |

**First Shock-Demonetization-** Rural economy/primarily a cash economy, was brought to standstill due to demonetization during 8th November 2016 to March end 2017. In most of cash operated rural market and also to some extent urban market there was very less business activity due to sudden shortage of cash. Business activities were carried out bear to minimum level or for only essential items that too with stringent credit facility with higher interest rates. Most of the businesses lost 10 to 25% of their cash surplus during exchange of undeclared stock of liquid assets. As predicted by many experts, this sudden blow resulted to cycle of job loss in both rural & urban sector. Basically Indian economy is a cash economy. Sudden shift from cash to digital operations was very painful for both rural & urban businesses. Add to these pain, both RBI & all commercial banks were not equipped to meet the challenges of digital economy from the point view providing necessary support and infrastructure. Another effect was from the point of view of lower income for rural as well as urban workers due to less job opportunities as many small business activities virtually collapsed on account of stringent cash supply. This brought pressure on consumption side as purchases are made only for "Must" products. Thus the demand and supply equation was threatened in the Indian market.

**Second Shock- in the form of reform- GST**

GST was rolled out in July 2017. Although the basic objective of introduction of GST was really good from the point of view of introduction of reforms in tax structure involving central & state taxes, its complicated legal structure created confusion and businesses felt that they are harassed unnecessarily. Add to their pain in fulfilling GST requirements, issue of frequent notifications from GST authority created mess in business operations for few months. There were frequent revision of GST slabs/rates from GST authority. Businesses became totally dependent on so called GST experts. Primarily, exports growth was very badly affected during the above period as there was terrible delay in various refunds to exporters. Export sector felt shortage in both cash & credit facilities.

**Third Shock- IL& FS Crisis** –

IL&FS Crisis led finally to Non-Banking Financial Companies' Credit Crunch. IL&FS was not able to honour commitments related to payment on time. Its most of capital either eroded due to NPAs or invested in projects having very long justification period. Recession in many sectors like Reality/ Infrastructure resulted in severe shortage of working capital. IL&FS was forced to sell investments in equities of listed renowned companies like DHFCL in equity market at the available price. DHFCL equity share price rolled downed from 650 to 50 in a short period. IL&FS sold equities of many blue chip companies resulting waves in Indian equity market. At the same time, Indian Government SEBI regularised mutual fund market with few regulations because of which there was turmoil in mutual fund scenario.

Non-Banking financial companies have invested/ loaned their money to various key sectors in India. Credit crunch of NBFC affected operations of Large/Medium/Small business units all over India.

This situation remained totally in bad patch also due to weak global trade &US-China Tariff War. Both China & USA imposed various tariff measures on many commodities & global import/export business was virtually brought to standstill India was sandwiched between two trading giants. US also imposed tariff restrictions on many Indian commodities and exports were affected.

### 5.9 Positive Industrial Growth for June 2018 to June 2019 by sector YoY change%

**Table 5.8: Sector wise % Industrial Growth**

| Sector | % Growth |
|---|---|
| Coal India Production | 0.5 |
| Thermal Generation | 8.7 |
| Hydro Generation | 7.9 |
| Rail Freight | 2.0 |
| Domestic Airline Passengers | 6.2 |
| Petrol | 10.8 |
| Diesel | 1.4 |
| Bank Deposits | 10.3 |
| Non-Food Bank Credit | 12.0 |

### 5.10 Foreign investors are being attracted to India

Due to higher surcharges proposed for the super-rich in the current budget, FIs have pulled out Rs.12000 crores during July 2019. This figure is much lower compared to October 2018 figure of Rs.28000 crores. US Treasury interest rates are now stabilized, no further increase, hence foreign capital is slowly moving to India compared with the figure related to China & other countries.

### 5.11 Fiscal Deficit as a percentage of GDP

**Table 5.9: Fiscal Deficit as a percentage of GDP**

| Year | Fiscal Deficit as a percentage of GDP |
|---|---|
| 2013-14 | 4.5 |
| 2014-15 | 4.1 |
| 2015-16 | 3.9 |
| 2016-17 | 3.5 |
| 2017-18 | 3.5 |
| 2018-19 | 3.4 |
| 2019-20 | 3.3 (Budgeted) |

During last five years, there were systematic efforts to monitor fiscal deficit. But it put pressure on government spending. Money was spent only on needy projects or welfare schemes of which people below poverty line were benefited.

### 12 Strengthening Indian Economy

The finance minister Nirmala Sitharaman has started the process of rolling out a slew of measures to boost industry's access to credit, including opening a ₹10,000 crore liquidity window for home financiers. Sitharaman and bank chiefs are expected to discuss priority areas "for the banking sector in the coming months for accelerating gross domestic product growth".

A high level committee on CSR recommended for dropping prison clause and provide tax credit for CSR.

India's trade deficit now dips to 4-moths low in July 2019. Fall in Oil, Gold imports has helped to narrow the gap. Exports increased to US$26.3 billion in July 2019.

RBI has taken various steps to push Indian Economy. One such step is decreasing Repo rate & reverse Repo rate. This will result in increase in credit at lower interest rates and also increase in money supply.

**Table 5.10: Current Reduction in Repo Rate**

| Date | Repo Rate | Reverse Repo rate |
|---|---|---|
| 5th April 2018 | 6.00 | 5.75 |
| 6th June 2018 | 6.25 | 6.00 |
| 1st August 2018 | 6.5 | 6.25 |
| 5th October 2018 | 6.5 | 6.25 |
| 5th December 2018 | 6.5 | 6.25 |
| 7th February 2019 | 6.25 | 6.00 |
| 4th April 2019 | 6.00 | 5.75 |
| 6th June 2019 | 5.75 | 5.50 |
| 7th August 2019 | 5.40 | 5.15 |

## 13 Removal of Article 370

This may lead to attract foreign investment in many parts of Jammu & Kashmir as investors world over are interested in encasing opportunities available in Tourism & Infrastructure development. Few US/European & Chinese companies have categorially displayed their interest in such ventures in spite of stiff resistance from Pakistan.

In addition to above, RIL- Reliance Industries Ltd., has positively proposed to invest in Jammu & Kashmir by setting a dedicated task force.

Seeking to attract businesses to Jammu and Kashmir, the state administration announced a three-day global investor's summit to be held in Srinagar from October 12. Proactive investors from film, tourism, food processing and export industries are to look at investing in Jammu and Kashmir to encash new profit making opportunities. The Confederation of Indian Industries (CII) will be the national partner for the investors meet. A MoU has been signed by Jammu and Kashmir Trade Promotion Organisation (JKTPO) and CII for organisation and management of the event. The investment may amount to 50 lakh crore in the near future.

Also investment in defence projects may amount another 10 lakh crores with techno collaboration with France & US in aforesaid area.

## 14 Conclusion:

Although the year 2018-19 proved to be much harder for the Indian Economy, the necessary monitoring actions of both RBI & Indian Government may help in bringing back the economy to its own pace. Positive Industrial Growth in nine sectors for June 2018 to June 2019 by sector YoY change%, confirms slow revival but at steady pace.

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