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Does Indian Economy Track to Beat China?

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ABSTRACT

Developing and developed economy has their own advantages and limitations, likewise, India and China have their own advantages and limitations. Many economy evaluators argued that the comparison of both countries' economy status is foolishness. This article never equalizes the nature of apples with oranges, while the demand, how the apples demand over oranges or *vice versa* is surveyed in the world market.

Key Words : Economy, Index, GDP, Tax, Factors

INTRODUCTION

Many articles are depicted that comparison of the India economy with China is foolish approach and it is like the compare the nature of apples with oranges. This article aim does not equalize the nature of apples with oranges, while the demand, how the apples demand over oranges or *vice versa*.

Basically China has four times bigger economies than that of Indian economy and its productive capacity is 1.6 times higher than India. China's one child policy is a great support to their economy. India's the six times higher inflation rate than that of China is an unfavorable factor for standing in the way of development of Indian economy. But India's great workforce and efficient entrepreneurship are encouraging forces for the prospects of the Indian economy in the future.

Economy's Annual Growth Rate:

The projected economic growth rate of India and China during 2018-19 is 7.8 and 8.2 per cent, respectively. But the actual achieved economic growth rate is 8.2 and 6.7 per cent, respectively. The differences show that India's economy performance is better than that of China (9.38 %).

Global Competitiveness Index:

During 2016-17, the global competitive ranks of India and China were 55th and 15th place respectively. They reached 39th and 14th places during 2017-18. India has improved its rank from 55th place to 39th place during the one year period, but in the case of China it moved just from 15th to 14th place. The Global Competitiveness Index also shows that India's index rate is in a progressive direction. The Global Competitiveness Index of India and China during 2016-17 was 4.52 and 5.28 and they reached to indices of 4.59 and 5.33, respectively during 2017-18. The increased rate is 1.54 and 0.94, respectively.

Positive Monetary indicating factors:

Compared to previous year 2016-17, the GDP rate during 2017-18 is 8.20 per cent and the inflation rate is 4.17 per cent. It shows that the reduced rate of inflation and GDP are sympathetic to Indian economy. In addition, the import level of gold reduced by 15 per cent. Foreign Direct Investment in Real Estate sector increased by 8.9 billion dollars and during the last 6 months, FDI inflow was to the tune of 2,200 crore. Petroleum product export increased by 27 per cent. Number of Mutual Fund investors increased by 65 lakhs. Engineering equipments export increased by 7 per cent. Due to all these reasons, the increased number of Crorepatis in India is 7,300 (total

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3.43 lakh) and apartment house sales increased by 6 per cent.

Negative Monetary indicating factors:

Compared to the last year, wholesale and retail price indexes were increased by 5.13 and 3.77 per cent, respectively during 2017-18. The Foreign Exchange Reserve and Other countries currency reserve reduced to 3,251 and 92 Crore, respectively. Special Drawing Reserve and IMF Reserve reduced to 73 Lakh and 123 Crore, respectively. Sensex and Nifty frequently volatile points are 340.78 and 94.90, respectively. Outflow of FDI equity and debt is 33,000 and 60,000 Crore, respectively. Marine Product and Dress Material Export reduced by 10 and 34 per cent, respectively. Export of tea, spices and gold ornament reduced by 5, 7.06 and 12 per cent, respectively. Import of Crude oil was increased by 34 per cent and internal production of Crude oil reduced by 3.3 per cent. Industrial Production improved by 4.3 per cent only.

Progressive Indicators:

India's main hurdle is shadow economy. But, during the last two years its performance gave new confidence to Indian economy.

When we compare 2015-16 to 2016-17 and 2016-17 to 2017-18, the positive trend of increased number of taxpayers and the collection shows India's economy travel in the right direction.

Contradicting Indicators:

When we travel in progressive path; certain contradictory activities disturb India's economy making it uncomfortable. Bank fraud losses during the last 3 years is Rs. 70,000 Crore and during the last one year alone it is Rs. 30,000 crore. During 2016-17, loan granted was Rs. 79.83 crore and it increased to Rs. 89.82 crore during 2017-18. Bank frauds were Rs. 16,652 crore in 2016-17 and it increased to Rs. 36,694 crore in 2017-18. When we compare loan granted to frauds in banks during the said periods, the increased percentage is 12.51 and 120.36, respectively. This spoils the Indian economy as a whole.

Opportunities:

The Indian economy is sustaining its capacity; because, India has rich natural and human resources (younger generation population is more). This will support to the greater extent manufacturing sector (progress by 13.5%), Agriculture sector (growth by 5.3%), Financial and service sector (growth by 14.3%), private sector (the increased rate of investment) and highly improved technology. The recent data says that the present GDP growth rate is 8.2 percent, the estimated goods export is Rs. 34,000 crore, no changes in gold reserves (2,052 crore) and less Government expenses.

Threats:

The identified threats to the Indian economy are the estimated black money in Swiss and other offshore banks is to the tune of Rs. 90 lakh crore. The gross NPA is 10.25 lakh crore (as of 31.3.2018), Commercial deficit is Rs. 18.02 billion, Current Account deficit is 1.9 per cent on GDP and Foreign Currency Loan, Rs. 220 billion dollar is equal to 50 per cent of foreign currency reserves with India, lower number of taxpayers (particularly business people), the unregulated performances of Non Banking Financial Institutions and inconsistent Indian rupee value against dollar value.

Conclusion:

All these show that though India has a balanced economy and is travelling in the safer track, for the long run sustainability of the same status it faces difficulties, because, the developing economy has its own limitations like the abrupt changes. The economy of China is moving on constant track. In India, though the Government is taking steps to regulate the monetary system; the public support is very little. In India the application of financial discipline parameters is very little and people don't have sufficient knowledge about the fundamentals of economic and financial matters. Only when people avoid taking emotional decisions in their financial matters and realize their responsibility, accountability on overall economic

Table 1 : Tax Payers and Collection Details

	2015-16 (Rs. in crore)	2016-17 (Rs. in crore)	± (in %)	2017-18 (Rs. in crore)	± (in %)
Tax payers	4.36	4.95	+13.5	4.99	+0.80
Tax collection	33.6	38.52	+14.6	43	+11.63

development and effective utilization of resources and human capital properly, then only India can hope to prosper. Moreover, in India financial related fear is very high and only when the atmosphere creates favorable financial confidence among the public, then only the financial discipline parameters are expected to function properly. At the time when all these are possible, Indian economy can travel at a parallel level with the economy of China and can even be able to surpass China.

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