INDIAN ECONOMY: NEED FOR A NEW THRUST.

The transition of the Indian economic scenario from the financial year 2010-11 to 2011-12 has witnessed important changes. These changes were evident in the various economic indicators. The blend of positive and negative changes indicate that the economy, though still bearing the brunt of the ill-effects of the recession in Western countries, has also received signals of recovery. This proposition has been supported by the trends revealed by the following parameters.

The Gross Domestic Product (GDP) in the 2011-12 fiscal is Rs. 52,43,582 crore as against Rs. 49,37,006 crore in 2010-11, thereby facing a reduced rate of growth of 6.2 per cent in 2011-12 as against a growth of 9.3 per cent in 2010-11. With the economic parameters showing a positive sway in the Fiscal 2010-11, it was estimated that GDP in 2011-12 would grow to Rs.83,53,495 crore as the economy was experiencing an estimated growth rate of 15 per cent. There appears to be some controversy about the estimates that the Central Statistical Organisation (CSO) has recently released on GDP growth, as has been pointed out by the Hon'ble Finance Minister and the Planning Commission. It is expected that these controversies would be sorted out before the Central Budget for, 2013 is placed in the Parliament.

Considering the data released so far by the CSO, it appears that the fall in the growth rate of GDP has come about as a result of the slowdown of the manufacturing sub-sector, which is one of the most important drivers of the GDP growth. The fall in the growth of the industrial sector with special focus on the manufacturing sub-sector has come about as a result of 'policy paralysis', which has demurred the investment climate. The inflation-growth disconnect may also be a reason for the decelerated pace of GDP growth. Over and above all these reasons, a possibility of high rates of inflation understating the growth estimates of GDP remains prominent.

Growth rates of the various sectors for the last two fiscals are as follows:

SECTORS	2010-11	2011-12
PRIMARY SECTOR	7.9	3.6
SECONDARY SECTOR	9.2	3.5
TERTIARY SECTOR	9.8	8.2

The primary sector, which comprises agriculture, fisheries, forestry and logging sub-sectors has witnessed a reduced growth rate of 3.6 per cent in 2011-12 as against 7.9 per

cent in 2010-11. In the primary sector, the fall in growth rate has been brought about by the agriculture and the fishing sub-sectors. The inadequate rainfall and spiraling inflation rates with grave effects on prices of fertilizers are reasons for the poor performance of this sector.

The secondary sector, which includes manufacturing, power, construction and trade sub-sectors on the other hand has revealed a growth rate of 3.5 per cent in 2011-12 as against 9.2 per cent in 2010-11. The growth in secondary sector has been bleak on account of adverse investment opportunities in the country. The secondary sector has shown the minimum growth among the three sectors. The pace of growth in the secondary sector has been heavily brought down by the manufacturing, power and construction sub-sectors. These three sub-sectors have revealed a negative trend of growth pertaining to low levels of investments. The investments by manufacturing, power and construction sub-sectors have revealed low pace of growth as a direct consequence to a low Gross Domestic Savings.

Gross Domestic Savings revealed a decelerated pace of increase due to low household savings at the rate of 10.4 per cent in 2011-12 as against 8 per cent in 2010-12 and a low corporate savings at the rate 7.9 per cent in 2011-12 as against 7.2 per cent in 2011-12. This effect of fall in savings thereby affecting levels of investment could be termed as a circular effect of widespread increase in levels of inflation.

The tertiary sector, which consists of professional and personal services has witnessed a growth of 8.2 per cent in 2011-12 as against 9.8 per cent in 2010-11. Though the trend of the tertiary sector superseding the primary and secondary sectors has continued to be in place, all the sectors, in total, have witnessed varying degrees of fall in growth rate. Among all the sectors, the secondary sector has revealed the least growth rate followed by the primary sector. The Tertiary sector has grown at a pace much higher than the primary and secondary sectors. However, the rate of growth of this sector has fallen from the levels of 2010-11. The fall in growth has come about as a result of the contraction in professional services. Personal services have, however, increased at rapid rates.

On the face of these declines, the Indian economy can be expected to revive only if stringent policies are adopted against control of the Current Account Deficit. In the coming fiscal, CAD is expected to widen further on grounds of high import demands for oil and gold as well as continuing sluggishness in the global markets making exports from India more and more difficult. Besides, persistence of a high rate of inflation despite an inconspicuous decline in food prices is likely to keep foreign investors at bay. Further expectation of the dip in the GDP growth in future would automatically enhance the CAD by enhancing aggregate demand against the existing supply constraints. Besides, the fiscal deficit is also rising to alarming levels of 5.9 per cent compared to the Budget estimates of 4.6 per cent made last year.

A fall in levels of investments, global economic downturn and an unpredictable tax and regulatory regime has plunged the economy to a lower altitude. These conditions have been further fuelled by internal constraints such as frequent land acquisition disputes and

environmental clearances. Thus, in order to redeem the initial rates of growth in GDP the country should be internally expurgated from the after effects of the global economic downturns before making its mark back to its old position in the world economic era. It is expected that the Budget 2013 will provide necessary thrust and warewithals to put the Indian Economy once again on a faster growth trajectory.