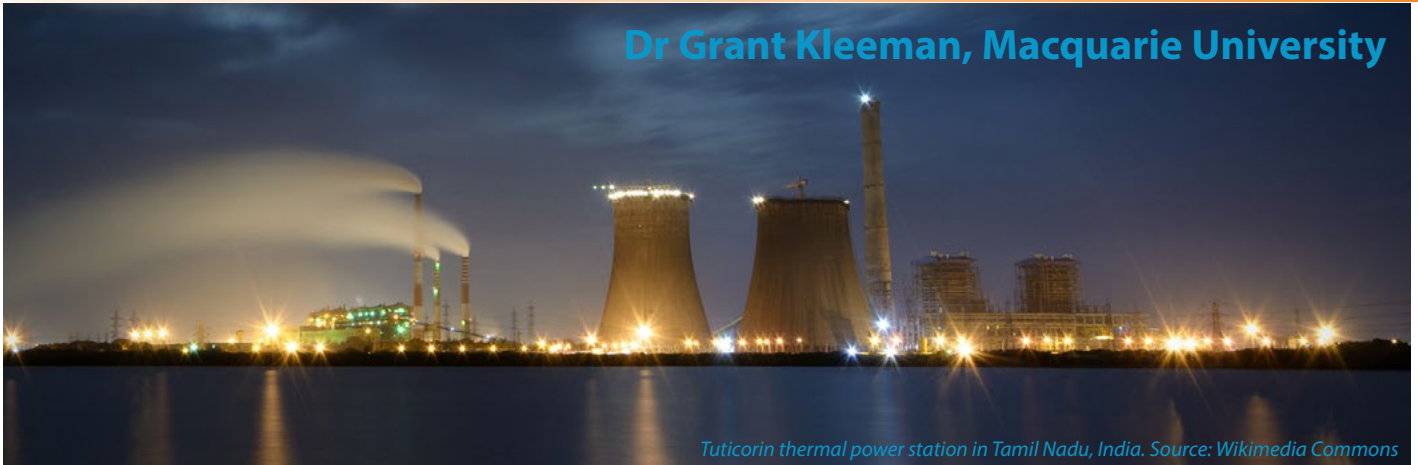


INDIA: A NATION IN TRANSITION

Dr Grant Kleeman, Macquarie University



Tuticorin thermal power station in Tamil Nadu, India. Source: Wikimedia Commons

India is a nation in transition. By some estimates, India's economy will grow from its US\$1.87 trillion GDP in 2013 to be the world's third largest in 2030, with GDP close to US\$30 billion. Only the economies of China and the USA will be larger. The extent to which the benefits of this economic growth are re-distributed to India's poor will be the key to raising the human wellbeing in the country.

In this article, the first of a series to be published in subsequent issues of the Geography Bulletin, explores India's changing approaches to economic development, the changing composition of economic activity and the consequences of these changes for human wellbeing.

India's economic growth

India's annual GDP growth rate peaked in 2010 at 10.5 per cent before declining sharply to 6.3 in 2011, 3.2 per cent in 2012 and 5.0 in 2013. GDP per capita grew from US\$114.40 in 1970 to US\$455.44 in 2000 and US\$1,489.24 in 2012. India's engagement in international trade has also increased. In 2011-12 foreign trade grew by 30.6 per cent.

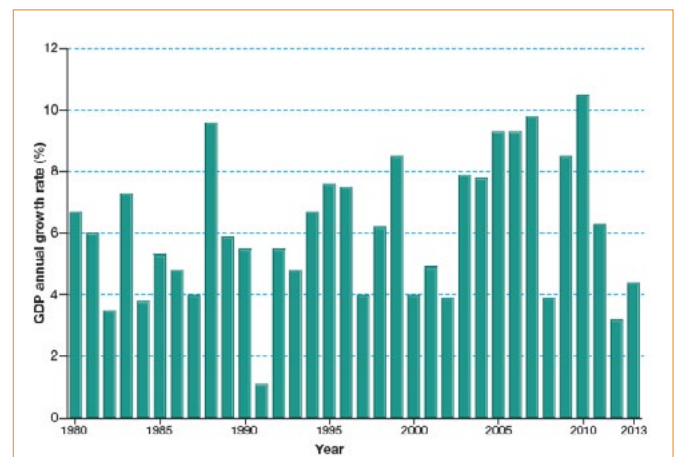
Today, India's economy is the world's tenth largest. It is, however, 141st ranked on a GDP per capita basis. With a population growth rate of 1.58 per cent (well above the global rate of 1.14%) improving the latter measure remains a significant challenge. Unemployment remains relatively high at 9.8 per cent (2010–11) and India's central government debt stands at 48.4 per cent of GDP, which is the highest among the emerging economies.

Growth in India's GDP 2006–2014



Source: <http://www.tradingeconomics.com/india/gdp>

Annual rate of GDP growth, 1980–2013



Changing approaches to economic development

In the period post-independence (1947-1991), India embraced a 'mixed economy' model of economic development that combined features of both capitalism and socialism. The promotion of state-owned enterprises, protectionism and import substitution were a feature of the country's development policy and practice. In 1991, however, India embraced a more liberal, free-market, model of economic development with the government investing heavily in the infrastructure needed to promote economic growth. Economic growth rates increased, as did per capita incomes.

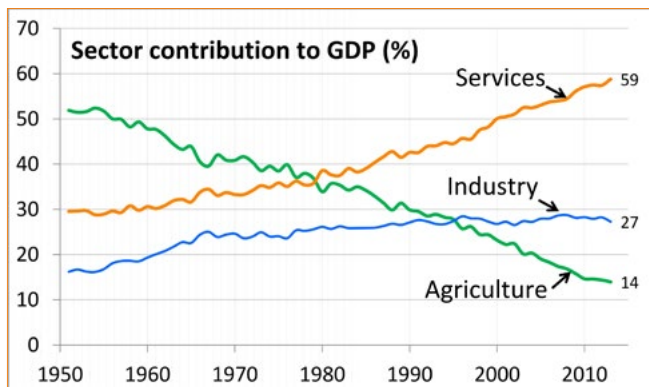
Changing composition of economic activity

There have been some major structural changes in the Indian economy, especially in terms of the contribution made by the different sectors of economic activity to the country's GDP.

Agriculture has declined as a share of economic activity, while industry and services have grown. The greatest group has been in the provision of services, which now account for 50 per cent of all economic activity.

INDIA: A NATION IN TRANSITION

Sectorial composition of GDP, 1951–2013

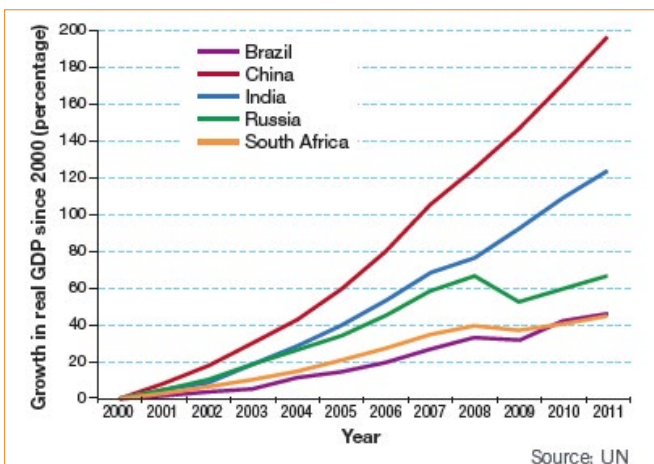


The GDP contribution of various sectors of Indian economy have evolved between 1951–2013, as its economy has diversified and developed.

International comparisons

India's economy (as measured by Real GDP) has been expanding at a rate faster than other emerging economics since the early 2000s with the notable exception of China. GDP growth exceeds 125 per cent. China's was nearly 200 per cent.

Growth in Indian GDP compared with that of China, Brazil, Russia and South Africa, 2000–2012



Qualitative development indicators

India's qualitative development indicators highlight the scale of the challenge facing the country. Life expectancy stands at just 66.2 years (2012) and children spend on average less than five years engaged in schooling. Thousands of towns and villages still lack adequate sanitation and a millions of people still don't have access to a safe dinking water.

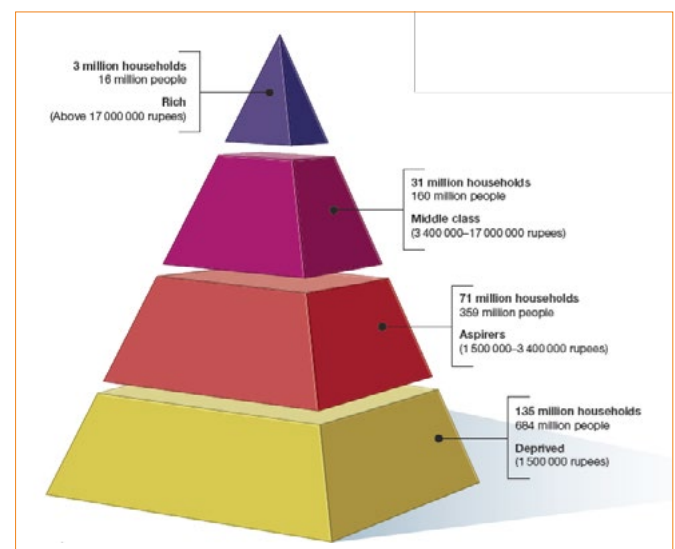
Poverty and inequality remain volatile political and social issues, and a break on attempts to enhance human wellbeing. A 2014 report by the McKinsey Global Institute states that the country's official poverty rate declined from 45 per cent of the population in 194 to 22 per cent in 2012. But this figure has been challenged.



Commuters, Indian railway system. Source: Wikimedia Commons

McKinsey's researchers investigated how much it cost an individual to meet their basic needs — food, energy, housing, drinking water, sanitation, health care, education and social security — and achieve a minimally acceptable standard of living. Using this as a benchmark, the Institute concluded that 56 per cent of Indians (680 million people) can't afford to meet these needs. This figure is more than double the number of people the Indian Government identifies as living below the poverty line. In terms of income distribution, the richest 20 per cent of Indians account for 52.81 per cent of income, while the poorest 20 per cent make do with just 8.54 per cent.

Inequality continues to limit the country's potential. In 2014 India's HDI ranking was 135 (score 0.586); and its Inequality-adjusted HDI value was 0.418 (2013). The gap between the nation's IHD and HDI illustrates the extent to which inequality remains a feature of Indian society. The socio-economic pyramid below shows the scale of the challenge. As with the McKinsey estimate, 684 million people are classified as 'deprived'.



INDIA: A NATION IN TRANSITION

There are also significant spatial differences in income and GDP per capita. Poverty remains widespread in rural India, where 34 percent of the population lives on less than \$1.25 a day. In urban India, 29 percent of the population lived below that absolute poverty line in 2012. On a state-by-state basis, the gap in GDP per capita range from INR 200,514 in the state of Goa to just INR 27,202 in the state of Bihar (2012-13).

Corruption undermines Indian progress

Corruption in the soon-to-be world's most populous country is so ingrained and on such a scale that it threatens the very wellbeing of its people. With a population of 1.7 billion by 2050, something like a billion people will live stunted lives, denied the opportunity to realise their full potential, because their nation is being held back by corruption and administrative incompetence. More than half of all Indians (54 per cent) admit to paying a bribe to an official in 2013.

India's entry into the global economy has created unprecedented opportunities for dishonesty. Property has become a multi-billion-dollar business overseen by government officials who are paid just a pittance. The value of mining licences has increased rapidly along with commodity prices. Privatisations and public-private partnerships have become common, and prone to manipulation. At the same time the effectiveness of India's civil service has declined sharply.



Safety standards on building construction site, Bangalore, India.
Source: Wikimedia Commons

GeoCareers

www.geocareers.net.au



The GeoCareers website is a resource especially designed to provide students with information about careers based on the study of Geography at secondary school or a tertiary institution such as a university or college.

The website is an initiative of the Australian Geography Teachers' Association (AGTA).

*Paul Leahy
Freshwater Scientist
Environment Protection Authority, Victoria*