# 'India Story' Remains As Credible As Ever Before

Irrespective of the prophets of doom propagating all sorts of negativities about the Indian economy, the 'India Story' still remains credible if one goes by definitive indications to this effect. If not in a very short term, but definitely in the medium term, our country is poised to acquire the wherewithal that should provide the launch pad for its next big growth push. India's economy is all set to pick up steam, thanks to the start-up of billions of dollars worth of stalled resource projects by the Government during a recent policy review, and a good monsoon season that will bolster agricultural production. While half of the $115 billion worth of stalled projects have been cleared by the Competition Commission of India recently, the monsoon has been very good with a bountiful harvest and uplift of associated activities like animal husbandry and poultry which will translate into a lot more value in the rural areas and will help the sentiment of growth.

When doomsayers talk of negativity in the Indian economy, what generally comes to one's mind is high inflation, a low GDP, a weak currency and a rising Current Account Deficit (CAD), etc. However, on the contrary, in the recent past, the country has done well on all these fronts. Economic observers rightly predict that the concerns of inflation are set to recede when the dividends of rich harvest start reaching the masses. In addition to that, with CAD improving, GDP growth being modest, and projected easing of inflation, the policy makers' focus will soon shift to growth management from inflation management. It is soothing that RBI Governor Raghuram Rajan has predicted a CAD sharply lower than last year's figure of about $88 billion. According to him, the deficit could be a record low of $56 billion, which is well under 3% of the GDP and much lower than the 4.8% of GDP figure last year. On the other hand, our exports have grown at more than double digit pace for five months in a row. Impacted by a weaker rupee, imports are also slowing down, particularly imports of gold and other non-essential goods that have fallen quite sharply. Moreover, direct and portfolio investment inflows have also been quite high in the recent past.

On the front of GDP, despite a steady decline over the past five years, from 9% in 2008 to 4.4% now, India is today in the midst of a big turnaround as affirmed by the International Monetary Fund's latest projections of our GDP growth surpassing 5% for 2013-14. GDP can sufficiently surge if we attract Foreign Direct Investments (FDIs), which itself are linked to the health of the US economy. And there is now every reason to believe that the US economy is stabilising, which spells good news for emerging economies like India. The more funds US investors have in excess, the more they tend to invest in emerging markets like India. As it is a known fact that our stock market has outperformed those of other BRICS nations, and Indian Government has taken a range of concrete related steps, there is no reason why FDIs won't come to India. In a related development, India's domestic economy has also shown significant signs of growth, with its IT sector (that accounts for 25% of our exports) surging this year as indicated by BSE index appreciating 38% so far this year.

In a simultaneous gradual development over recent years in India, not only have a lot of people become a part of the growth process through material gains but they have also begun to believe in a future. The 2011 Census numbers amply show this upward mobility in material terms. A closely linked fact is that poverty in India has come down to a record 22% at the end of 2011-12. To make things more positive, the new data released by the National Sample Survey Office show that agriculture is no longer the overwhelming source of employment. It is for the first time that the share of farm employment has dropped below 50% which is a healthy trend that provides a good launch pad for further growth push.

In another development, tax reforms—the twin makeover of the direct and the indirect tax regime, through the Direct Taxes Code and the single Goods & Services Tax—are also on the cards with majority political view supporting these legislations. It is satisfying to know that the Finance Ministry is finalising the official amendments to the Direct Taxes Code Bill so that it could be taken up in the Winter Session of Parliament beginning 5th December. All in all, the worst is over for the Indian economy and there appears no room for "pessimism" if the strong positive indications and glad tidings are taken note of. India's economic fundamentals remain as strong as ever before.

**-Editorial Board**

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