

Economic crisis of india essay sample

[Economics](#)



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India is sadly caught up in an economic quagmire so intense and so pronounced that our rulers at present are faced with a very ticklish situation not knowing exactly what to do. That things have come to such a sorry pass compels us to view with scorn the dismal record of the successive governments since we achieved independence. The present serious state of affairs is a cumulative consequence of the accumulated acts of omission and commission, of sins and pitfalls of our planners and rulers. We are virtually in a debt trap and our balance of payments position is disconcerting. We have a foreign debt burden of lakhs of crores of rupees which is mounting up further with every successive dose of borrowing from abroad. True that as per latest figures (Feb. 2007) our Foreign Exchange Reserves have touched about 200 billion dollars mark, but this situation is just a window dressing in view of the stark fact that this impressive figure has resulted from heavy dose of investment by multinationals and not from our own earnings.

The facts of economic crisis are hard to hear but it's the truth. Economic crisis has deepened and raised to a higher extent and the rupee has got devalued. Our leaders in the Government boast of a high growth of GDP, its benefits are not percolating to the common man, particularly the lowest strata of society. In the Human Development Index we occupy one of the lowest positions. A good chunk of our population is still living below the poverty line despite our claim that the economy appeared to have “decidedly taken off and moved from; phase of moderate growth to a new phase of high growth. The very honour of India is at stake and yet we find we are not yet wide awake to the seriousness of the situation. The measures adopted so far leave much to be desired and it is doubtful whether the measures contemplated to be adopted

in future will be imaginative and sincere enough to bale India out of the present predicament. And yet it will be worthwhile to analyze the causes that have led to the present sooty state of affairs. They are responsible for economic crisis.

Causes For Economic Crisis

In the first place for economic crisis corruption in public life and in administration right from the political boss down to the lowest public servant has been largely responsible for failure of our planning. It is common knowledge that hardly twenty five per cent of the total funds allocated reach the beneficiaries. The major chunk is appropriated by the political bosses themselves for purposes of fighting elections and for filling in their own coffers. A good deal of it is eaten up in commissions clandestinely given to officials big and small. Thus full use r-, not made of the scarce resources of the country. Astronomical figures are sanctioned; bur a tiny percentage of them reaches the beneficiaries. Deficit budgets are prepared, government resorts to borrowing and in this way debt-, go on mounting without any corresponding benefits accruing. this obnoxious state of affairs has been going on right since the achievement of independence” It has intensified even further during last few years resulting in huge deficits. Role Of Political Leaders in Economic Crisis The unscrupulous politicians and officials and their corrupt and are biggest culprit for economic crisis, they have- looted the country beyond measure bringing it to the brink of disaster. Recently a number of mega scams involving thousands of corers of rupees have been discovered.

The urea scam in which figures the name of a former PM's son along with others, the fodder scam in which the former CM of Bihar was found to be the main culprit along with an army of predators, the letter of credit (LOC) scam involving the Chief Minister of Assam, the securities scam involving the big shares bull Harshad Mehta the Fake stamp papers scam involving about Rs. 60 thousand crore besides a number of have exposed beyond an iota of doubt how the big politicians have defrauded our national exchequer.

Similarly big deals are struck at the government level for the import of many ill-ills needed for the country, particularly defense equipment, fertilizers, petroleum products etc. We have to spend our foreign exchange for that purpose. Here too a handsome percentage of foreign exchange goes into the coffers of the politicians as commission and it is deposited in foreign banks. The country pays through the nose but it fails to reap the corresponding benefits. The Bofors deal, the HDW submarine deals are but the visible part of the iceberg thousands of corers of dollars of foreign exchange have thus not benefited India in any way.

In order to meet our needs we had to make further borrowings and in this way our foreign debt went on mounting up. The unscrupulous tribe of politicians had no time or will to look about the morrow. Thus corruption has eaten into the vitals of India's economic life and it has brought India to such a bad situation. We did not even care to see that our exports are matched with imports. If there was adverse balance of trade position, we borrowed. In the course of time the interest payable on the borrowings reached mountainous figures. This along with foreign exchange spent on essential items created a wide trade deficit leading to the present intractable balance

of payments position, so intractable that we had to sell or pledge a good quantity of our gold to salvage our honour. It is an irony indeed that the interest payment on our debts forms the largest item of expenditure in the Central Budget. It is true that by so doing we honour our international commitments and obligations, but no amount of pious words can camouflage the act that our economy as a whole is not in a very healthy position. The second cause of our economic crisis is the wasteful expenditure incurred by our governments on items which are not at all essential. We frittered away scarce resources in organizing cultural festivals and India festivals in foreign countries.

Our politicians have developed a penchant for organizing big and bigger and still bigger party rallies. Lakhs of gallons of petrol and diesel are wasted for transporting crowds to the venue of the rallies and back home. This precious liquid could be better utilized to irrigate our fields which could give better yields. We have frittered away our precious stocks of liquid gold for nothing despite our full knowledge of the fact that our country is paying through the nose for the import of this commodity and is incurring heavy debt for its import in required quantity. Some unscrupulous politicians thus have not only looted the country but have all along befooled the masses. If only we could economize on consumption of this essential item we could well meet our requirements with our domestic production. There would have been then no need of huge imports of petrol and petroleum products. In a way billions of dollars worth petroleum has been burnt away grossly wastefully. It has not at all generated additional revenue to India's exchequer. The lure of

handsome commission and not the public good largely determined our international deals.

There has been a very-very wide unfavorable gap between the import expenditure incurred and the resources generated with that expenditure. The third major cause of India's economic crisis is the mismanagement of the economy. We failed to distinguish between the essentials and the non-essentials and our economic ship drifted away oar less on uncharted waters. The fact is that our nasty Politics has overridden all other considerations. Little did our leaders realize that they were sure to sink if the nation was to sink. But the self prevailed upon the concern for the nation. The fourth major cause of our economic crisis is the system of restrictions and controls in which our economy finds it enmeshed. Our tax structure is faulty. Our socialistic endeavors have gone awry. The freedom of initiative and enterprise has been sadly curbed in the name of socialism. It is indeed sad to note that our entrepreneurs have to face controls galore in [pic]proceeding with their ventures. In view of these difficulties people shun undertaking projects on their own. The tax structure is so faulty that it leaves little scope for incentives to embark on ambitious projects, with the result that the full potential of our youth to grow and expand and thereby contribute to national development is not realized.

India's is the case of stunted individuals who cannot be expected to contribute their mite to the task of national reconstruction in the present climate. We often hear of complaints of trade handicaps. The introduction of reforms and induction of liberalism in the economy are belated measures, the outcome of which is still shrouded in uncertainty, owing to the unstable

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conditions prevailing yet on the economic front. The so called economic reforms have benefited only a very limited segment of our population. The common man still finds the going very tough. The fifth major cause of India's economic crisis is our people's inefficiency and their disinclination for work. The government functionaries do not acquit themselves well and there is always big backlog of work. Our output therefore is not in direct proportion to our inputs. The adverse balance accumulates impinging on the total amount of resources generated. We have failed to evolve a work culture and in idleness and gossip we perceive higher status.

In fact our economic crisis is the crisis of character understood in comprehensive terms. Strikes and bundhs, agitations and movements on the slightest pretext have become the common feature of our national life. Destruction of public property during these agitations has become a common sight. Our scarce resources are thus being put to flames. The lack of national spirit and weakness of national sentiment have put out of gear our chariot of national resurgence. The criminal lack of national spirit and national sentiment is perhaps the major cause of the ill-conceived economic reforms and liberalization. True, the loosening of controls and restrictions liberated to some extent our economic activity, but the major advantage was cornered by the big multinationals.

On the liberalization front, we gave a good boost to the activities of the multinationals[*pic*] which have come to destroy our indigenous industry. Their technology being of much higher grade, our own entrepreneurs find it impossible to compete with them. We embarked on globalization under the pressure of the foreign capitalist countries criminally oblivious of the fact

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that the economic alliance between unequal partners was not going to benefit the weaker party. Foreign investment in India was allowed unfettered, even in the consumer sector, along with the infrastructure sector leading to the present unhappy scenario in which the native industry faces the threat of closure and extinction.

Steps Taken To Curb Economic Crisis

Our leaders be-fooled the masses by telling them that they were opening up our economy for foreign investment for the expeditious development of the country. The fact is that whatever development has taken place it is benefiting the multinationals and India stands being enslaved at least in the economic field. And what guarantee is there that like in the past it would not again ultimately lead to political enslavement if corrective measures were not taken without loss of time to reverse the process. Our present economic crisis is thus the cumulative result of these and allied causes. As a matter of fact our economy has become a system of figures and averages? Does it really help us in economic advancement? A man crossing the river on the assumption that its average depth is far lower than his height is sure to get drowned. Our actual achievements tell a depressing story. We may pat our back on the basis of the tainted fact that we have reduced the percentage of those living below the poverty line.

We need to unite and work for conserving national treasure and stop economic crisis. The stark fact is that the member of individuals living below the poverty lines is systematically swelling. The remedy is the start of fresh endeavors to reverse the process. It is now perfectly clear that we have

sadly wasted our precious sixty years of independence. The present economic crisis has now uncovered the rot which the opportunistic politicians tried to hide with their mealy- mouthed professions. It has utterly exposed the canker that was eating into the vitals of India's national life. The masses of India have been be-fooled to their surfeit. If we really love freedom and independence, all this must stop now. It is now time that we awoke to the necessity of putting nation before self and sincerely strove to reverse the process of rot. Let leaders no more mislead the masses. Austere living and pulsating urge for work combined with the spirit of true nationalism must become the hallmark of our character. Efforts must be initiated to remove the major causes of India's economic crisis. If we failed this time, posterity would never forgive us. It is still time we initiated genuine steps for the resolution of the present economic crisis otherwise our freedom itself would be put in jeopardy.