

India vs china essay sample

[Finance](#), [Investment](#)



India and China are the two giant economies and they are the major players in the world economy. Both the economies are growing tremendously at a skyrocketing pace and these economies have their own specialty. We cannot just judge which economy is better by just comparing one or two factors because they have their own style of working and uniqueness . Here we will discuss about some of the factors that shows the real picture of an economy such as economic growth, currencies, military, inflation, quality of life and GDP. In an inevitable comparison between two giant economies India is lacking behind in some of the development processes. For example, the poverty rate of both the economies were at the same figure 20 years back but if we look at the rate of poverty now, China has improved a lot as India hasn't eradicated poverty as quickly as China. Likewise, India has struggled to compete with China in large scale, export oriented manufacturing and foreign direct investment. China has a very good record in export oriented manufacturing because they have used their resources optimally. If we see both the economies have enormous amount of labor resources and China took this as their advantage as the labor cost is cheap and foreign companies are attracted towards China.

India in other hand is also growing but if we look at the growth compared to China, India is still lacking behind. Now, if we compare these two economies in the context of balance growth, India has already reached the stage where China wants to be. Consumer spending plays an essential role in Indian economy compared to China. The domestic purchasing power in India is very high therefore, they don't need to implement policies that distort the global economy like China does with its currency regime. Actually, China fears that

if there is any currency fluctuation their FDI and export is affected because the main reason why FDI and export is flourishing in China is due to cheap and skilled labor. India do have cheap labor but they are not trained that's the reason why it is lacking behind. India is good in service sector such as IT and China is good at manufacturing sector, since manufacturing companies require a lot of labor there is no employment problem in China as in compared to India.

The other major difference between these two economies is balance of payment. As the current account is surplus in China and whereas, in India the current account is deficit. Due to the surplus in China it has contributed to the building of foreign exchange reserves and while in India they have to wait for foreign capital inflow to finance its deficit. Quality of life in China is better than India. In China the literacy rate is 90. 02% whereas, in India its 74. 04%. Specially in the remote part of India people still do not prefer sending a girl to school as they are very conservative regarding all these things and these culture and traditions are hindering development process in India. If we look at the military strength, India and China falls under top 10 powerful countries. They both have nuclear power. China spends 80 billion on their defense as India spends 50 billion. But if we compare these two countries on military strength China has a edge over India. The giants have their own problem. In China, prosperity has been widely shared but the political freedom is still not there.

Likewise, in India the citizens can enjoy tremendous civic freedoms but they are still struggling with economic inequality. India is facing the problem of

controlling the inflation and maintaining economic growth because if they try to control inflation we can experience slowdown in economic growth and if we increase economic growth, there will be increase in the price level of goods and services. Therefore, they must go in a balance way. Likewise, In China the inflation is measured at 1.75% which is very good plus the economic growth is also very rapid. In China the inflation is low because everything is produced domestically. Slowly, India will also experience the same thing because FDI is increasing rapidly. If we look at both the economies, India is more favorable because there is high domestic consumption and they are not dependent upon others. Whereas, China is a fully dependent upon its export and FDI. Therefore, if there is any global financial crisis India is at a safer side.

Both the countries have more than 1 billion population but if we look at the age group, India has a active population with people below 25 are more than 50%. Whereas, in China the dependent population is very high as the life expectancy rate is very high. Therefore, if we compare in near future India might grow rapidly than China as the working population will be high in India. Similarly, if we analyze the health of companies in these countries, Indian companies are much more healthier than Chinese. As Indian companies are more focused on profitability and on top of the Indian private companies have low level of debt. With annual growth at 15.1 percent. China provided almost 9 percent of the increase in world exports of goods and services (second only to the United States), and 8 percent of the increase in imports (also second to the US). Both exports and imports are dominated by manufactures.

India, accounted for about 2 percent in the growth of world exports and imports over the period 1995-2004, and its most dynamic export sector is information technology (IT)-enabled services. However, India's manufacturing exports are starting to grow strongly, particularly in the textiles and clothing as well as the pharmaceuticals sectors. Therefore, both the countries play an significant role to the world development as many of the products are manufactured here. From a small cheap product to a highly technological inventions are made in these two giants . The Giants will contribute to the increase in world commodity. Likewise, the Giants generated nearly half the oil use increase this century. The Giants will become larger players in the world financial system as they grow and liberalize.