

The indian economy



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Two sources of economic growth in India are the demographic situation and Indian governments reforms. A rise in working age population in the near future will create more workers. The government reforms are also another source of growth. From infrastructure to less restrictive trade measures, the government has provided a favorable atmosphere for Indias economy. Both of these measures are helping the economy grow in India. With the right plan, these two sources could make Indias economy boom.

The rising working age of India is important for several reasons. This rising working age means more workers in the future. More workers are important, because of the concern about demand increasing over supply. The Economist reports “ that demand is outpacing supply and hence the pace of growth is unsustainable.” A greater number of workers could increase production, raising the supply, to meet the demand.

More workers are also important, because the number creates more consumers. This makes the demand higher, but the supply raises as well. This circle makes an economy more stable, than just the demand rising with no increase in supply. However, if just the demand was rising and not the supply, inflation and depression follow. Workers and consumers are good for an economy.

The one thing that more workers will need is education. Job training should be put into place by the government. New industries, especially computer related, should be taught in vocational schools. This would help the new workers coming of age to find jobs. It would not matter how old a worker, if they had no skills. The Economist states “ 60% of Indias labour force is engaged in low productivity farming.” These farmers will need skills to gain production jobs within urban areas.

India government reforms have made the economy grow. The trade friendly reforms have created an import/export business that is lucrative. It is also easier for foreign investment, although this has not been as widespread as hoped. Lower oil prices make the economy better. Government regulation on employees in the workplace have made for happier workers. All of these reforms are good, but more need to take effect.

Another good reform concerns the infrastructure and public services. The Economist reports:

Indias government has ambitious plans to increase total infrastructure spending to 8% of GDP over the next five years. This will involve some increase in government spending, but the idea is for the bulk of it to be financed by public-private partnerships.

This will help build trade routes, make public services more of a business, and boost the economy.

Although this is a good start, but the infrastructure is in poor shaped. More needs to be done. Money needs to be diverted to the infrastructure. The Economist explains “ According to the World Bank, the average manufacturing firm loses 8% of sales each year from power cuts.” The need for a better infrastructure cannot wait another day. The sooner the better. Five years is too long to wait. The plan needs to be speeded up drastically. It is good that India has plan, but a more effective one needs to be implemented. It would be better to devise a plan that would attract foreign money. The two sources of growth in India, the growth in workers through age and reforms, are a good start. The economy is growing so fast, stability could be introduced through these two measures. Both measures have drawbacks, but can be focused to improve the economy.

Reference

“ Indias economy: India on fire.” 1 February 2007. The Economists.