BANKING SHIKSHA

PAPER I - INDIAN ECONOMY & INDIAN FINANCIAL SYSTEM

Module A: INDIAN ECONOMIC ARCHITECTURE

Chapter 11: Issues facing Indian Economy

Quick Revision

11.1: Overview of the Indian Economy

- **Current Status:** The Indian economy has shown strong resilience, recovering from the pandemic to become one of the **world's fastest-growing major economies**. The IMF and World Bank project a growth of around 6.5% for FY26.
- **The "K-Shaped Recovery":** The post-pandemic recovery has been uneven. The organized, formal sectors have recovered strongly, while the informal sector and vulnerable households continue to face significant challenges.
- **Key Issues:** Despite its high growth, the Indian economy faces several persistent issues, including jobless growth, rising inequality, chronic unemployment, and infrastructure bottlenecks.

11.2: Poverty Alleviation

- **Progress:** Poverty eradication remains a major challenge. According to **NITI Aayog's National Multidimensional Poverty Index (MPI)**, India has made remarkable progress, with the percentage of the population in multidimensional poverty falling from 24.85% in 2015-16 to **14.96%** in 2019-21.

- **Key Programs:** The government continues to implement major poverty alleviation programs like the **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)**, the National Food Security Mission, and the Pradhan Mantri Jan Dhan Yojana (PMJDY).

11.3: Jobless Growth

- **Definition:** Jobless growth is an economic phenomenon where a country's GDP grows, but employment remains stagnant or even decreases.
- **The Indian Context:** This is a significant concern for India. The main reason is that recent economic growth has been driven by **capital-intensive manufacturing** and **knowledge-intensive services**, which do not create enough jobs for the large, low-skilled workforce.
- **Current Situation:** While the latest **Periodic Labour Force Survey (PLFS)** shows a multi-year low in the unemployment rate, economists are concerned about the *quality* of the new jobs, many of which are in low-paying self-employment or unpaid family work.

11.4: Rising Inequalities

- **The Challenge:** Despite being a fast-growing economy, India is one of the most unequal societies in the world. The gap between the rich and the poor continues to widen.
- **Key Statistics (from the World Inequality Report):**
  - The **top 10%** of the population earns approximately **58%** of the national income.
  - The **top 1%** alone earns over **22%**.
  - The share of the **bottom 50%** of the population is only around **13-14%**.

- **Wealth Disparity (from Oxfam):** The top 10% of the Indian population controls over 70% of the nation's total wealth. The post-pandemic K-shaped recovery may have worsened these inequalities.

11.5 & 11.6: Migration and Possible Remedies

- **The Issue:** The movement of people from rural to urban areas in search of better economic opportunities is increasing. This influx into unplanned urban settlements puts **excessive pressure on resources** like water, housing, and sanitation.
- **Possible Remedies:**
    - Promoting **rural and non-farm job opportunities** to reduce distress migration.
    - Addressing the root causes of migration through better education and stability in source regions.
    - Using data-driven policies for better urban and regional planning.

11.7: Post-Pandemic Economic Landscape

- **Lasting Impact:** While the Indian economy has recovered past its pre-pandemic levels, the COVID-19 crisis has left lasting "scarring effects."
- **Drivers of Current Growth:** The recovery is being driven by several factors:
    - A sustained push on **government capital expenditure (Capex)**, especially in infrastructure.
    - A strong drive towards **digitalization** and a booming fintech ecosystem.
    - New investments from **Production Linked Incentive (PLI) schemes**.

- Growth in **sunrise sectors** like e-commerce and renewable energy.

- **The Way Forward:** For sustained high growth in the long term, India must prioritize the development of world-class infrastructure in **health and education**.