

Paradox of the Indian Economy

**Professor Upali Hettiarachchi, Senior Lecturer,
Manjula Gunarathna, Lecturer,
Department of Economics.**

Abstract

As a result of the influence of global factors the world economy is changing gradually. It is not limited to a particular country. Asian economies are also expanding. For an example the Chinese Economy has been flourishing since the last decade. In the same way Indian Economy is also facing new challenges. It is fluctuating between modern and traditional factors.

According to the World Bank classification India is still a low- Income Economy. But the economy of India is the fourth largest in the world as measured by the parity of purchasing power. Also there was a GDP growth rate of 9.2% at the end of last year. It is the second fastest growing major economy in the world. Per capita income is \$ 820 in India. However since the early 1990s' India has gradually opened its doors for economic reform.

Indian economy does not depend on individual factors. It has been diversified since the pre colonial era. Agriculture, industry and service sectors have contributed to it. Textiles, chemicals, food processing, steel, transportation equipment, cement, mining, petroleum, machinery, software are the main industries in the new millennium.

Wealth distribution in India is unequal. The top 10% of income groups were earning 33% of the income. Over 230 millions of Indians still live below the national poverty line. Unemployment rate has risen up to 7.32% as well. Total cultivable area in India is 1,269,219 Km² and total water surface area of 314,400 Km². But these resources are decreasing as a result of growing population. India with a population of 1 095 billion people is the second most populous country in the world and India's annual growth rate 1.38%. India's mixed economy combines features of both capitalist market economy and

socialist command economy. But it has shifted more towards the former over the past decade.

According to statistical data, the World Bank ranks India as a low income country. (Sri Lanka is the middle income country). But Indian economists rank India as a self sufficient economy. It means they have sufficient income.

The purpose of this presentation is to find the solution for that paradox focusing on the following factors. They are History, Government Intervention, State planning and mixed economy, public expenditure, public budget, Currency system, Exchange rates, Determinations, Demographics, Geography and natural resources, Physical infrastructure, Politics, Financial institution, Agriculture, Industry, Services Sectors, Banking and finance, Socio-economic characteristics, Poverty, Corruption, Occupation and Unemployment, Regional imbalance, External Trade and Investment, Global Trade Relations, Balance of Payments and Foreign Direct Investment in India

By 2025 the Indian economy is projected to be 60 per cent the size of the US economy. By 2035 it is expected to become the as 3rd largest economy of the world next to US and China. If this happens Asia will be the most powerful region in the world.

Key words: GDP, Per capita income, Economic reform, Poverty line