



India's Economic Policy: Its Bottlenecks and Implications

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Abstract: Every economical pattern is unique and has its own operating environment and sets of requirements. There are various parameters which lead to the existing position of the Indian economy since the nation's independence and a cross-country evaluation of where India stands and to analyze the factors behind the changes in India's economic conditions over a period of time. As a result, the execution of economical projects is subject to numerous constraints that limit the commencement or progression of field operations, which invariably have significant negative impact on overall project performance. Successful execution and control of a project relies on effective identification and management of constraints through master planning and short-term look-ahead scheduling. While the master schedule provides a global view of a project and the overall execution strategy, a look-ahead schedule offers a detail account of operational constraints and a detailed plan showing work to be done within a relatively short time window. Since Independence, India has gone through various phases of failures and success when it comes to economical scenario still we are not falling in the required category. In view of the above, it was felt that there is a need for a critical examination of the strategies adopted, the interventions sought, funds flow and its utilization, organizational structure and the mechanism of implementation by the implementing agencies in sampled states to understand the impact, failures and success. This research Paper will provide an overview of state-of-art schedule constraint analysis practice during the implementation and execution of socio-economic projects in India. In addition, it will propose a conceptual framework for managing constraints and get the maximum out of such great initiatives taken by the government. This study leads to assess the extent to which it has been possible to achieve the aims and objectives of the economical beneficiaries, but also to review the various schemes and suggest policy measures to improve the situation.

Keywords: Poverty, Unemployment and Underemployment, Corruption, rural economy and quality of Education

1. INTRODUCTION

The modern world has been characterized by several factors; urbanization is on the top among all. The basic fact cannot be denied that urban centers were very much in existence in

antiquity, they were very small in comparison to these cities what we find today. The ever increasing populations as well as expanding geographical areas of the modern cities have brought in major changes in the organization and provision of people in the country and abroad. The urban agglomeration at massive scale therefore has resulted into the following complex problems:

- Poverty
- Unemployment and Underemployment
- Wide disparities in Personal Incomes
- Attitude prevents hard work
- Corruption in every possible form
- Capital Starvation for Agriculture as well as Industries
- Deprivation of the rural economy
- Negative impact of foreign investment
- Degradation of Agricultural and Industrial potential of India
- Degradation in the overall quality of Education

2. PROBLEM STATEMENT

The importance of developing a constraint-free and reliable work plan has long been recognized by the nation. However, numerous projects are still plagued by delays and cost overruns, which can frequently be traced to ineffective identification and treatment of constraints. First, when a constraint is not properly identified during scheduling, subsequent conflicts in the field are inevitable. Today's projects are becoming more and more technically complex and logistically challenging, which exposes operations to even more complex constraints. Second, the traditional methods, bar charts etc which are widely used as a basis for constraint analysis, greatly limit our capability in resolving constraints during execution of the projects. In summary, there is a need for a better understanding of constraints in construction and a structured approach in identifying and modeling constraints to ensure a constraint-free work plan. More specifically, the following research questions need to be addressed:

1. What are the typical constraints found in various economical projects?

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2. How to classify these constraints for easier identification, modeling and recommendations?
3. What are the current industry practice as well as research advancements in resolving constraints?

3. OBJECTIVES OF THE STUDY

The long term goal of the research is to develop a formalized constraint management system when it comes to the implementation and execution of various economic projects. The objective of the current study is to provide a comprehensive review of literatures and practices in relation to constraint analysis and outline a conceptual framework for constraint management in economical way. Particularly, the study has the following sub-objectives:

1. To provide a comprehensive review of sources and characteristics of constraints typically found in economical projects.
2. To develop a constraint classification method for easier constraint identification and modeling
3. To review current industry practices and researches in regards to economical field.
4. To outline a conceptual framework for total constraint management.

The result of this study will be valuable to the industry practitioners as well as the government in developing better practices and tools for economical advancement and development.

4. METHODOLOGY OF THE STUDY

The primary research method for this study is literature review. Constraint identification and classification through a structured approach is the very first step toward a “zero-constraint” environment. This study will first review various types of constraints in economical projects and their characteristics. Based on this understanding, a classification method will be developed to categorize constraint factors for the purpose of constraint identification and categorization. In the second stage of this study, existing methods will be identified based on a comprehensive review of current industry practices and academic researches. Finally, once the constraint classification would be done, a conceptual framework for total constraint management will be outlined. This study will be conducted between January, 2019 to December’ 2019. The sections in the pages overleaf describe the methodology for each key task that was undertaken to meet the requirements of the assignment.

(i) Meeting with the officials of Planning Commission

In the inception phase, a meeting was held with the key representatives of the Planning Commission, and other key

stakeholders. In this meeting, the team discussed about their understanding and requirements for the assignment, the work plan, the expected deliverables and the associated timelines, reporting schedules, etc and finalized the same.

(ii) Training of Teams

We organized meeting of the team members, Researchers, Supervisors, and Field Investigators. Researchers were given a thorough briefing by Project Director about the project and their role therein.

(iii) Secondary Research

The secondary data were collected from the Annual Reports and administrative guidelines of the Ministry of Rural Development, Government of India as well as from the classified data available with the Offices of the states and SGSY coordinating departments of the State Governments of Haryana, Gujarat, Uttar Pradesh, Punjab, Rajasthan and Delhi (UT). Apart from these, offices of DRDA and Lead Bank Manager, coordinating the banks in the selected districts, together with books, journals, seminar papers, websites, etc. also formed the sources for the collection of secondary data for the study.

The necessary primary and secondary data in respect of this study were also collected from the functionaries at various levels.

5. APPROACH OF THE STUDY

The study design as depicted diagrammatically in below mentioned Figure includes sources of data collection both primary and secondary, identification of relevant variables analysis and tabulation of data, their interpretation, critical opinion of official and non-official stakeholders and report writing.

6. AREA OF THE STUDY

The study was conducted in State Governments of Haryana, Gujarat, Uttar Pradesh, Punjab, Rajasthan and Delhi (UT) in the northern region of the country. We also covered four districts in each State, two blocks in each district of the sampled States.

The study employed a combination of quantitative and qualitative methods and the data collected both from primary and secondary sources.

7. LIMITATIONS OF THE STUDY

The major limitations for the study are as follows:

- The report has been prepared based on the data collected from the field and published secondary data
- The study findings and recommendation given are based on the limited coverage of 5 states
- The facts presented are based on the information provided and discussion held with the stakeholders
- Poor availability of secondary sources of data
- Since objective of this study was to carry out detailed assessment of aims and objectives of the overall economical schemes at national, being a sample study, state wise analysis may be able to give skewed results. Therefore attempt has been made to present a report focused on activities / aims/ objective of economical initiatives.

8. CONTENT TO BE STUDIED

Since 1991, the Indian economy has pursued free market liberalisation, greater openness in trade and increase investment in infrastructure. This helped the Indian economy to achieve a rapid rate of economic growth and economic development. However, the economy still faces various problems and challenges.

1. Unemployment

Despite rapid economic growth, unemployment is still an issue in both rural and urban areas. The fast rate of economic growth has left unskilled workers behind, and they have struggled to find work in growing industries. In 2017, the official unemployment rate was just below 5%. However, a report by the OECD found over 30% of people aged 15-29 in India are not in employment, education or training (NEETs). Livemint reported on March 6, 2017. With, little if any government welfare support for the unemployed, it leads to dire poverty.

2. Poor educational standards

Although India has benefited from a high % of English speakers, (important for call centre industry) there is still high levels of illiteracy amongst the population. It is worse in rural areas and amongst women. Over 50% of Indian women are illiterate. This limits economic development and a more skilled workforce.

3. Poor Infrastructure

Many Indians lack basic amenities lack access to running water. Indian public services are creaking under the strain of bureaucracy and inefficiency. Over 40% of Indian fruit rots before it reaches the market; this is one example of the supply constraints and inefficiency's facing the Indian economy.

4. Balance of Payments deterioration.

Although India has built up large amounts of foreign currency reserves, the high rates of economic growth have been at the

cost of a persistent current account deficit. In late 2012, the current account reached a peak of 6% of GDP. Since then there has been an improvement in the current account. But, the Indian economy has seen imports growth faster than exports. This means India needs to attract capital flows to finance the deficit. Also, the large deficit caused the depreciation in the Rupee between 2012 and 2014. Whilst the deficit remains, there is always the fear of a further devaluation in the Rupee. There is a need to rebalance the economy and improve the competitiveness of exports.

5. High levels of private debt

Buoyed by a property boom the amount of lending in India has grown by 30% in the past year. However, there are concerns about the risk of such loans. If they are dependent on rising property prices it could be problematic. Furthermore, if inflation increases further it may force the RBI to increase interest rates. If interest rates rise substantially it will leave those indebted facing rising interest payments and potentially reducing consumer spending in the future

6. Inequality has risen rather than decreased.

It is hoped that economic growth would help drag the Indian poor above the poverty line. However, so far economic growth has been highly uneven benefiting the skilled and wealthy disproportionately. Many of India's rural poor are yet to receive any tangible benefit from the India's economic growth. More than 78 million homes do not have electricity. 33% (268million) of the population live on less than \$1 per day. Furthermore with the spread of television in Indian villages the poor are increasingly aware of the disparity between rich and poor. (3)

7. Large Budget Deficit

India has one of the largest budget deficits in the developing world. Excluding subsidies, it amounts to nearly 8% of GDP. Although it is fallen a little in the past year. It still allows little scope for increasing investment in public services like health and education.

8. Rigid labour Laws

As an example Firms employing more than 100 people cannot fire workers without government permission. The effect of this is to discourage firms from expanding to over 100 people. It also discourages foreign investment. Trades Unions have an important political power base and governments often shy away from tackling potentially politically sensitive labour laws.

9. Inefficient agriculture

Agriculture produces 17.4% of economic output but, over 51% of the work force are employed in agriculture. This is the most inefficient sector of the economy and reform has proved slow.

10. Poor tax collection rates.

According to the Economist, India has one of the poorest taxes to GDP rates in the whole world. India's tax revenue as a % of GDP is just 12%. Compared to an EU average of 45%, this poor tax collection rate reflects widespread corruption, tax avoidance and complicated tax rates. In 2017, Narendra Modi has sought to improve tax collection rates and reduce complications through the introduction of a general sales tax (GST) which involves a single tax rate – rather than tax rates applied multiple times at different stages of production.

11. Business difficulties

According to the World Bank, the ease of doing business in India is poor. India ranks 130/190. Big issues for companies include

- Ease of enforcing contracts
- Dealing with construction contracts
- Paying taxes
- Trading across border.

12. Inequality within regions

India's economic growth has benefitted some regions more than others. Technological hubs, such as Delhi and Mumbai have attracted higher paying jobs. This has attracted an inflow of most mobile and skilled workers; this has created congestion in these super-cities but failed to address the poverty of rural areas, especially in the north east.

Prime Minister Narendra Modi is less than ten days away from completing action-packed three years at South Block. This month on 26 May, the Modi government will enter into fourth year of its five-year term.

Prime Minister Modi promised many economic reforms including ease of doing business, inflation control, fiscal deficit, trade deficit, job creation, manufacturing revival - that seems to have been delivered with the exception of job creation on which India has, so far, failed to perform as expected.

Whatever may be the reason behind falling job creation and slow down in manufacturing industry, the Prime Minister has seemingly tried to address these two issues by introducing several key initiatives such as 'Make in India', 'Skill India', 'Start-up India'. Also, the Prime Minister last year on November 8 demonetised large currency notes which was later termed 'the single most economic reform in the history of independent India'.

Let's take a look at his economic achievements in three years in office.

Goods and Services Tax

The GST bill, which is scheduled to be effective from July 1, is the biggest tax reform being undertaken since Independence. It will subsume all indirect taxes to create one rate and integrate the country into a single market. Once the GST is in force, it will replace at least 17 state and federal taxes and bring them under single unified tax structure.

GST is a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India to replace taxes levied by the central and state governments. It is expected to bring about a qualitative change in the tax system by redistributing the burden of taxation equitably between manufacturing and services.

While officials are busy in laying down the guidelines for effective GST regime, the International Monetary Fund has already appreciated India's effort to reform country's taxation system. "The government has made significant progress on important economic reforms that will support strong and sustainable growth going forward, " IMF Deputy Managing Director Tao Zhang said.

Demonetisation

Last year on November 8, the Prime Minister scrapped old Rs 500 and Rs 1, 000 notes to what he called a step to root-out black money and fake currency in the system. Six months later, it was noticed that the move couldn't achieve the desired results as fake currencies were still running and corruption was still rampant. However, the government succeeded in profiling the people by getting to know the differences between actual flow of money and the undeclared money. Recently, it was reported that India has more car buyers than the taxpayers in the country.

In last assessment year, there were only 5.5 lakh people, out of the 3.65 crore individuals who filed returns, paid income tax of more than Rs 5 lakh and accounted for 57 per cent of the total tax collection. This essentially means that only 1.5 per cent of those filing tax returns (3.65 crore) were contributing to 57 per cent of tax kitty. The Prime Minister wanted to address this issue by bringing the unaccounted money into banking channel.

While many top-notch economists were divided over its impact on the economy, former UIDAI Chairman Nandan Nilekani hailed Modi's demonetisation move and said that it would see a massive activation of digitisation of financial services in the country. He also explained as to how India's over 80 per cent work force will come into formal channel, he said: "The more important thing is when the economy becomes formal, when everybody's financial transactions are digitised ...India is going to go from data poor to data rich and

that will make it more and more difficult for people to do dishonest things or to be outside the system. You will reduce the amount of black money in the system." **Jan Dhan Accounts**

It was 15 August 2014 when Prime Minister Narendra Modi launched India's biggest ever financial inclusion drive. PM Modi launched his first flagship programme called Pradhan Mantri Jan-Dhan Yojana which was country's National Mission for financial inclusion to ensure access to financial services, namely savings accounts, remittance, credit, insurance, pension in an affordable manner.

Prime Minister's move was to provide access to formal banking services to more than 15 per cent of the unbanked population in the country. It helped Prime Minister Modi re-establish his image as the leader of masses. Jan Dhan Yojna was not just about banking but also about several other benefits that the Prime Minister Modi offered with accounts. Under the scheme, if a person holds an account for more than six months s/he is allowed an overdraft of up to Rs 5, 000. Last year, the ET reported that over 19 lakh account holders had already availed an overdraft amounting to Rs 256 crore. Jan Dhan accounts holders are also able to claim accidental insurance cover of Rs 1 lakh. The scheme also provides life cover of Rs. 30, 000 payable on death of the beneficiary. Prime Minister Modi tapped country's over 15 per cent population with just one economic policy. So far, over 27.84 crore accounts have been opened under Jan Dhan Yojna.

Affordable Housing

After promising banking for all, Prime Minister Narendra Modi launched another flagship housing scheme 'Pradhan Mantri Gramin Awas Yojna' with the aim of providing 'Housing For All' by 2022. The scheme was designed entirely for the rural masses. The ambitious scheme aimed to provide affordable houses to 4 crore people living below the poverty line. Under the new rural housing scheme, the central government will provide a financial assistance of Rs 120000/- for constructing the home. An additional assistance of Rs 12000 would be provided for construction of toilets in households.

Pradhan Mantri Awas Yojna says that "By the time the Nation completes 75 years of its Independence, Pradhan Mantri Awas Yojna will bring a 'Pucca house' for every family in urban cities with water connection, toilet facilities, 24x7 electricity supply and complete access." In Uttar Pradesh alone there are '1.5 crore people who don't have houses'.

Deen Dayal Upadhyaya Gram Jyoti Yojana

Gram Jyoti Yojana was launched to ensure round the clock electricity supply to farmers and rural households. The scheme

was kick-started by the Prime Minister on 25 July 2015. The programme was expected to initiate much awaited reforms in the rural areas. During his Independence Day speech in 2015, the Prime Minister had announced that all of the country's villages would be electrified in 1, 000 days and that by December 2018, all Indian citizens would have access to electricity.

"At the time when the NDA government came to power, there were 18, 452 un-electrified villages. Out of these, we have electrified 12, 022 villages under the Deen Dayal Upadhyaya Gram Jyoti Yojna (DDUGJY). The ministry is trying its best to complete the target by 1 May 2018, " The Sunday Guardian quoted a ministry official as saying.

PM Ujjwala Yojana

Last year on May 1, Prime Minister Narendra Modi launched an ambitious social welfare scheme - Pradhan Mantri Ujjwala Yojana - with the aim of providing 5 crore LPG connections to women below the poverty line across the country. The scheme was aimed at replacing the unclean cooking fuels mostly used in the rural India with the clean and more efficient LPG Gas. Prime Minister Modi's pledge to provide cooking gas cylinders to every households has helped India to become the world's second-largest importer of liquefied petroleum gas or LPG. Earlier Bloomberg reported that India's import of LPG, mostly used as cooking fuel, increased 23 per cent during the financial year that ended March 31 to 11 million tons. India replaced Japan from the second position whose imports slipped 3.2 per cent during the same period to 10.6 million tons.

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