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Indian Economy-Mobilization of Resources

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ABSTRACT: The economy of India faced a difficult year in 1982/83 due to the drought and world recession. Nevertheless, agricultural production declined only by four-six percent. This resilience was achieved through substantial increases in all agricultural services, particulary infrastructure services in power and railways, in inputs and in irrigation. Growth of production was strong in most basic goods like cement and fertilizer but weak in the case of steel. Industrial production as a whole was slower than the previous year. The current account deficit declined slightly as a result of export volume growth and cutbacks in import requirements. Government policies emphasize increasing production and efficiency through more rational and greater access to imports. This report examines resource mobilization issues from a macroeconomic perspective in the domestic economy and in its external relations. It also addresses the resource mobilization questions in the agriculture, energy, and transport sectors to bring the major sectoral tradeoffs into focus.

KEYWORDS-economy, Indian, resources, mobilization, government, sectoral, trade

I.INTRODUCTION

Mobilization of resources is a key topic under Indian Economy for the IAS examination. In this article, we will cover the definition, major features, types and issues pertaining to mobilization of resources.
Domestic resources can be defined as the economic resources that are present within the territory of any country. These resources, irrespective of their presence and potential are not collectively utilized. This, in turn, leads to a disparity between the estimated potential of those resources and their actual use.[1]
For any country to prosper, it is of immense importance that their resources are effectively identified and mobilized.

So, how do we identify these resources?
Types of Resources of India
When discussing important economic resources in india, they can be divided into three major categories :-

Natural Resources
Examples of natural resources include petroleum, water, natural gas, coal, etc.,

Human Resources
Examples of human resources include the intellectual capacity of the nation, as well as the labour force.

Financial Resources
Examples of financial resources are monetary income generated through taxation policies.

What is Resource Mobilization?

- In the simplest of terms, Resource Mobilization, for a government or a non-government organization, is the identification, organization and utilization of the available material resources within the country (including financial resources) to further its objectives of development missions and plans.
- In accordance to a government, mobilization of resources is essentially efficient collection of funds and effective allocation of the above resources to multiple development schemes and plans.
- It is the process of making unavailable or locked resources free for use with the motive of attaining a collective goal.
- Mobilization of resources involves a series of systematic steps that must be implemented to acquire various useful resources in a cost-effective and timely manner.
- The objective behind the process is optimal utilization of the resources, i.e., to have the right resources at the right time, available at the right price and used exclusively for the right purpose.

Why is Resource Mobilization so Important?

- It is helpful in maintaining Organizational Sustainability.
- It keeps a check and guarantees continuation of the organization's (government or non-government) service provision.
- It paves the way for improvement of the available services and products.
- It supports the expansion of the organization's products and services.
- It is crucial to any organizations existence, as any organization, be it in the public sector or private sector, must continually generate new business to maintain a perpetual presence.[2,3]

Now, let us understand in detail how the major resources of the economy are mobilized : –

Mobilization of Natural Resources

- In the present day indian economy, mobilization of natural resources has garnered much attention despite the fact that there is abundance of natural reserves within its geographic limits.
- The main reason behind the under-utilization of these plentiful resources are the policy hold-ups that hinder the process.
- We import iron and coal, which in turn increases the current account deficit.

Mobilization of Financial Resources

- The production in a country is carried on in its private sector, public sector, or in PPP.
- The production of these goods and services is essential for the economy to grow.
- Studies show Indians invest more into consumer durable and gold. Moreover, the savings rate is good yet we have a low domestic investment.
- If the objective of economic growth must be achieved, there should be more investment in services, agriculture and manufacturing.
- Ideally in a modern capitalistic economy, these are 'free-flowing', and comparatively easier to mobilize than in the traditional economy.
- Initial Resource Mix – technology, labor organizational structure, capital support, etc, are few of the multitudes of resources required to begin any organization. It is not necessary that the right mixture of the required resources is always available.
- Manpower or people are the most significant resource of any organization.
- The four factor a production, vis a vis, labor, land, organization and capital must be combined to create the right atmosphere of investment and growth.
- The existent taxation base is small, and must be widened.[5,7]

Mobilization of Human Resources

- Human resource is the potential of the people in a country
- Human resources are crucial and must be prepared for ready use. With such a significant population at its disposal, India has started to focus much on mobilizing its human resources.
- Human resources mobilization is clearly the empowerment of the human resources.
- The more backward and weaker sections including SC,ST,OBC,women and children, etc, must be brought to the forefront.
- There is a need for skill development programs for imparting necessary vocational skills.
- More employment opportunities must be created that suit the population's skillset.
- There is an increasing need to utilize the huge demographic dividend.
- The Technologists, including the scientists, engineers and doctors are being given more weightage in india

The Major Issues with Mobilization of Resources

The significant drawbacks highlighting the Human resources, the Financial resources and natural resources affect the overall Mobilization of resources in a nation.

- Low – income countries are in a state of perpetual struggle with poverty. In such a situation, resource mobilization can be a challenge. This is a major reason why a majority of developing economies rely on Foreign direct investment, export earnings, foreign aid, and other external sources.
- If a consistent and significant economic growth must be achieved, it is vital to decrease the rate of poverty in the economy.
- A strong foundational support for uninterrupted sustainable development must also be attained.
- In economies characterized by a high-growth rate, it is observed that an average of 20-30 percent or more of the income is saved to finance the private and public investment.

- Domestic resource mobilization is highly compatible with the domestic ownership, and not with external resources.
- Foreign aid comes with its fair share of restrictions and conditions.
- While foreign direct investment is helpful in attainment of commercial objectives of the concerned investor, it does little for the host country's developmental plans.

Mobilization of resources is any day more predictable and dependable than foreign direct investment, external aid and export earnings.

II.DISCUSSION

Achieving national and international development goals demands financing from multiple financial sources. Aid alone will not produce development: the mobilisation and effective use of other financial resources are crucial. The OECD provides a platform for dialogue and co-operation among developed and developing countries to improve investment climates, enhance the effectiveness in tax systems, deepen the integration of developing countries into global markets through trade and investment channels, and maximise the benefits of migration and remittances.[3,5,8]

OECD investment policy tools, such as the The Policy Framework for Investment (PFI), assist developed and developing countries alike in identifying appropriate national policies for attracting investment and reaping its full benefits. In 2013-14, the PFI will be reassessed and adapted for broader application in a more diverse set of developing country circumstances. Within the context of the OECD Strategy on Development, we are also examining ways to facilitate long-term institutional investment in developing countries.

Domestic resource mobilisation, based on robust taxation systems and sound budgetary policies, provides developing countries with a stable and predictable fiscal environment to promote growth and to finance their social and physical infrastructure needs.

Good tax administration needs to be complemented with sound budgeting. The OECD Strategy on Development promotes knowledge sharing and peer dialogue with senior budget officials from developing countries on how to link stronger budgetary performance with better and more inclusive financial management and public service delivery in countries facing similar contextual challenges. This work also falls under the theme Governance for Development.

Illicit financial flows – i.e. financial assets that break laws in their origin, transfer or use, including through tax evasion, money laundering, trade and transfer mispricing, as well as bribery of foreign officials – strip resources from developing countries that could otherwise finance development. The OECD has initiated a comparative analysis of the institutional, regulatory and legal arrangements existing in its member countries to address illicit flows.

International migration can significantly contribute to the welfare of populations and to development in origin countries. Migrant remittances are an important source of income to foster development. The OECD Strategy on Development confirms the Organisation's dedication to building a global governance framework that ensures policy coherence at all levels between migration policies and development policies. Work will focus on key policy areas such as remittances, labour migration at different skill levels, and diasporas.[7,8,9]

III.RESULTS

- In April, the IMF had that predicted India will grow at a rate of 7.2 per cent in FY20, but recent data indicates a falling GDP growth (4.5 per cent).
- The IMF particularly spoke of the "slow growth in rural incomes, domestic demand (as reflected in a sharp drop in sales of automobiles) and credit from non-banking financial companies (NBFCs)" as plausible causes.
- According to the World Inequality Report 2012, the top 10 per cent of India's population got 54 per cent of all income while the bottom 50 per cent shared only 15 per cent.
- Low wages and income inequality have led to a fall in demand.

Fundamental equation in macroeconomics:

GDP = C + G + I + (NX)

In other words, four drivers determine a country's GDP.

These are:

C – the total expenditure (demand) by private individuals

G – the total expenditure (demand) by the Government

I – the total expenditure (demand) on investments made businesses in the country

NX – the net effect of imports and exports

Current status of Indian Economy:

- Indian economy is facing both structural (that is, more long-term issues related to the overall framework of the economy such as the flexibility or inflexibility of labour laws etc.) and cyclical (that is, more short-term issues such as a bad monsoon that disrupts production of food articles etc.) challenges.
- Since the causes are both structural and cyclical, Experts say, arresting this economic slowdown is proving to be so difficult.

Two balance sheets- TBS:

- The two balance sheets are referred to the Indian banks (especially public sector banks or the government-owned banks) and the corporate sector, respectively.
- The balance sheets of Indian banks were burdened by a high proportion of non-performing loans and the balance sheet of corporate were clogged because they had over-borrowed and were unable to pay.

Economic boom 2005-09:

- The origins of India's TBS is credited to the economic boom that happened between 2005 and 2009.

- This was a period when economic prospects were rosy and the economy was growing at near double-digit growth rates.

- Companies borrowed heavily in the hope of making profits in the future.
- The banks, especially the government-owned ones, too, ignored prudential norms and lent a lot of money to companies in the hope that this would help boost economic growth.
- As it happened, economic prospects collapsed quite sharply after the Global Financial Crisis (GFC) and companies found that their projects were no longer viable.
- The end result was that the companies were left with huge loans they could not pay back in time and the banks were left with huge loans that had turned to NPA.
- This meant that neither the Indian companies were in position to invest nor were the Indian banks in a position to lend. [2,3]

Economic growth 2010-12:

- Economy continue to grow faster between 2010 and 2012 9% to 10% in the succeeding years (2010 and 2011).
- Between 2009 and 2013, companies were in no position to invest. So the "I" (total expenditure (demand) on investments made businesses in the country)component became weak.
- During this period There was a hit to India's exports because of a decline in global demand. So "NX" component also weakened.
- But unlike in the developed world, where such companies would have been declared bankrupt and liquidated, in India, both the companies and the banks survived.
- Why? Because most of the struggling banks were owned by the government and so there was no risk associated with them because it was always believed that the government would bail them out.

- Most companies survived because banks took a call that giving these companies more time will help the companies repay and many banks lent new loans to such companies so that these companies stayed afloat.
- Another reason why India continued to grow fast in the immediate aftermath of the GFC. That had to do with the robust demand from the other two components – C the total expenditure (demand) by private individuals and G– the total expenditure (demand) by the Government . In particular, private consumer demand — which is quite weak these days

Economy going from 2014 to 2012

- Even though the TBS problem remained unsolved – in other words, the bank NPAs continued to climb and share of debt-ridden companies unable to pay interest payments continued to rise – yet, due to sharp fall in crude oil prices, Indians experienced an income boost. [5,7]

- During 2015 and 2016, international crude oil prices fell to a third of what they were in 2014. This essentially meant that Indians could spend more and the "C" component of the equation boosted the GDP. Experts claim this gave a 1 to 1.5 percentage point boost to the GDP.

- 2015 and 2012 saw an uptick in world demand and a real depreciation of the rupee, resulted non-oil export growth rose from -8.6 percent in 2015-16 to 8.9 percent in 2015-18".the "NX" component helped bump up the GDP growth.

- Increased government spending increased the "G" component

- India's growth was boosted by a lending spree provided by non-banking financial companies (NBFCs) like IL&FS and DHFL.

- NBFCs took over the leading role of lending to the economy because banks were still struggling with NPAs and were largely unwilling to lend directly to businesses. T

- he credit provided by NBFCs fuelled both private consumption (C) and business investment (I), and through this route fuelled GDP growth.[7]

IV.CONCLUSIONS

It is appropriate to conclude this overview of India's economic performance and policies with a summary assessment of prospects. The past record shows an economy which has gained in strength and structural maturity in many dimensions. It has certainly emerged from the pattern of sluggish growth evident up to the mid-seventies, to a much better performance subsequently, especially in the most recent years. A growth rate of 5 percent is now definitely sustainable and could even be bettered in future if the considerable unutilized potential built up form past investment in the economy is effectively exploited. There is considerable scope for reaping such benefits both in agriculture and in industry, with present levels of the rate of investment or modest improvements therein. The policy initiatives being taken in the industrial sector will help to bring about this outcome. Management of the balance of payments will remain an important problem especially if the objective is to achieve a balance which can finance the sort of growth in imports that is needed to sustain technological modernization in increasing numbers of sectors of the economy. This points to the extreme importance of exports in the years on the industrial front and the changes made in policies towards exporters should help to strengthen India's export capability. A major factor which will help stimulate virtuous cycles in the Indian economy in future is the expected slowdown in the rate of growth of population. With population growing at over 2 percent per year., much of the growth in production in the past has been absorbed by rising population. However, the prospect oaf a decline in the rate of growth in population is now at hand. Although fertility levels are declining, the age composition is such that the child-bearing population is expected to increase, and this will affect declining fertility foe some time. Nevertheless, the rate of growth of population is likely to slow down form 2.2 percent expect a faster deceleration. The combined effect of a modest acceleration in economic growth and a gradual decline in population growth would put the economy on a much faster pace of per capita income growth than experienced in the past.[8,9]

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