
INDIA AND THE GLOBAL ECONOMY

By

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November 28, 2005

I. Introduction

It is indeed a pleasure and a privilege to be present at the Exim Bank International Economic Development Research Annual Award. The topic of my lecture today is “India and the Global Economy”. As you all know, over the last few years, the world is talking more of India than it used to in earlier recorded history. The interest in India is clearly unprecedented and is a reflection of the rapid strides made by the Indian economy since the onset of economic reforms. Where do we stand in the global perspective. What are the areas we have gained strength to become a global leader? Which are the sectors where India needs to catch up? This lecture will evaluate India’s achievements in terms of global benchmarks, by looking at comparative performance of advanced and emerging market economies.

Ness Wadia College has a rich legacy of educational excellence, and let me congratulate you all for this year’s “Best College Award” conferred by the University of Pune as a fitting tribute to your efforts. The award, initiated in the years 1989, the year of Pandit Jawaharlal Nehru's Birth Centenary, is a fitting tribute to a visionary who realized the importance of research in the country. What makes this award special is its focus on international economics. As the Indian economy integrated itself to the global economy, new issues are bound to emerge. These new issues need to be explored and I am happy to present his award to this years recipient, Dr. Prachi Mishra, whose work is on Globalisation and Wages in Developing countries. One can hardly underscore the importance of the issue as Indian economy is currently benefiting from the substantial growth in non-resident Indians remittances to India.

In line with the focus of this award ceremony, I wish to speak briefly on 'India and the Global Economy.

In the recent past, there have been dramatic transformations in the international perceptions about the Indian economy. International economic agencies and analysts are terming India as the economic powerhouse of tomorrow. The growing global interests in India and the perceptions of the global community towards India are reflected through the numerous reports

published by international financial institutions and private corporate entities alike. These reports vindicate India's growing economic potential as it integrates into the global economy. The BRIC Report of Goldman Sachs argues that India has the potential to grow fastest among the four BRIC (Brazil, Russia, India and China) countries over the next 30 to 50 years — higher than 5 per cent over the next 30 years and close to 5 per cent as late as 2050. Recently, during his visit to India, Mr. Rodrigo de Rato, Managing Director of the International Monetary Fund stated, "Globalization is a much-discussed theme. But I believe India is the perfect venue to bring to it a new perspective. For India recently has grasped firmly the opportunities of globalization". Mr. Raghuram Rajan, Economic Counsellor and Director of the Research Department of the International Monetary Fund highlighted, "The stars are well aligned for India to become a hub of globalization". The McKinsey Quarterly in a Report titled 'A richer future for India' says, "India's competitive intensity could give it a better position than China to serve as a global low-cost auto-manufacturing base".

Equally important in this process is a very crucial intangible change that has taken place in this country – the change in the mindset of the Indian about what country and the people can achieve. Reflecting this newfound confidence, as Governor Reddy mentions, today Indians consider 6 per cent rate of growth as the inertial rate of growth. This changed mindset has enabled India to achieve various feats including becoming the most competitive steel producer in the world, the most preferred centre for cross-border outsourcing of high-end services activities and one of the most preferred destination for foreign investment.

As pointed out by Governor Reddy (Reddy, 2004),¹ the debate on globalisation has customarily been on the contours of the public policy on increasing global economic integration in the Indian context. In order to chart out the new course for the emerging India in the world economy, a necessary small step is to know where the country stands globally on a large range of issues. That is the focus of this note. The note traces India's relative positions in

¹ Reddy, Y. V. (2004): *India and the Global Economy*, (July).

the world economy in terms of indicators on macroeconomy, infrastructure facilities, human developments, institutional and regulatory developments and competitiveness.

II. Macroeconomic Indicators

GDP

In terms of gross domestic product (GDP) – conventional, PPP and per capita – India has made strong progress since the 1980s and improved its global rankings. At constant US dollar terms (2000=100), India's average GDP during 2001-03 at US \$ 508 billion was 14th largest in the world (Table 1). The size of the Indian economy was US \$ 179 billion in 1981-85 and India economy ranked 17th in this period. Along with improvement in the position of the Indian economy in the world in terms of size, the share of India in the global GDP has increased continuously from an average of 0.96 per cent in 1981-85 to 1.55 per cent in 2001-03. While India's performance remains modest as compared to more than trebling of share in global GDP by China during the same period, it needs to be noted that over the last two decades there was a decline in the global income shares of most industrialised countries including the euro area and Japan and most EMEs from Latin America and Eastern Europe. Even in fast growing East Asia, with the exception of South Korea, no other country registered as large an increase in global income share as India. In terms of purchasing power parity (PPP) principle, India performed even better ranking 4th in the world during 2001-03 – an improvement by 3 places since 1981-85. In terms of PPP, India's global income share increased from an average of 3.76 per cent in 1981-85 to 5.77 per cent in 2001-03. It may be pointed out that the increase in India's share in global GDP by 2.01 percentage points between 1981-85 and 2001-03 is second only to China.

Despite being one of the fastest growing countries with stable growth process, India's per capita income continue to be only a fraction of the global average. In constant (2000=100) US dollar terms, India's global ranking in terms of per capita income slipped between 1981-85 and 1986-1990. However, since

then, this rank has improved continuously to 151st in 2001-03. India's per capita income in constant US dollar doubled between 1981-85 and 2001-03 while the global per capita income increased by only 30 per cent during this period. Despite this, even in 2001-03, India's per capita income was equivalent to only 9 per cent of the global average and 2 per cent of the per capita income of the high income countries.

Real Economy

In line with the global trend, the sectoral composition of GDP in India has transformed over the last two decades making the services the most important sector, followed by industry and agriculture. However, as compared to global standards, the share of agriculture in GDP remains much higher in India and those for industry and services remained lower than the global average. A comparison of India's sectoral growth performance over the last two decades with the world economy shows that with respect to industry, manufacturing and services, during 1981-2003, India systematically outperformed the global economy. India's agricultural growth also was higher than the global average during the 1980s and also 2001-03. During 2001-03, among the total sample of 178 countries, India ranked 55th in terms of agricultural growth rate, 53rd for industrial activities, 43rd for manufacturing activities and 13th for services activities (Table 2).

Prices

By the standards of EMEs, inflation in India has been relatively low and less volatile and the rate shows a declining trend since the 1990s. After a rise in consumer price inflation (CPI) from 8.4 per cent during 1986-90 to 10.5 per cent in 1991-95, the level declined substantially thereafter and remained at 4 per cent in 2001-03. Reflecting relatively less pronounced softening of the CPI inflation in India compared to many other countries, India's global ranking in terms of

inflation deteriorated from 83rd in 1991-95 to 59th in 1996-2000.² During 2001-03, softening of CPI inflation in India was more marked and consequently, India ranked 68th in the world.

Saving-Investment

Though low by the standards of some of the East Asian EMEs, gross domestic saving and investment rates in India generally have been higher than the global average and the country, on an average, remained a net capital importer during 1981-2003. With the exception of a dip during 1996-2000, gross domestic investment rate in India showed an upward drift since the early 1980s. While India's investment rate was lower than the global average in the first-half of the 1980s, since then the situation has reversed. During 2001-03, in terms of investment rate, India ranked 68th among 185 countries. India's gross investment rate in this period was higher than most industrialised countries (except Japan) and most EMEs from Latin American, East Europe and South Asia. With the exception of China and Korea, India's investment rate during 2001-03 was either higher or broadly comparable with those of the East Asian economies (Table 3).

Government Finance

By global standards, Government deficit and debt as proportions to GDP remain high in India. The rise in debt-GDP ratio in the current decade resulted in significant deterioration of India's global position in this respect. From a cross-country perspective, over the last two decades, India consistently remained among the 20 countries with the highest level of government deficit (as a proportion of GDP) (Table 4). During 2001-03, with the exception of Poland and Sri Lanka, government deficit in India remained the highest among all major EMEs.

² Since the country with the highest inflation in a period is ranked 1, a fall in global ranking in terms of inflation generally indicates a favourable change.

Money and Finance

Despite broad money to GDP ratio being on the upward trajectory due to increased monetisation and growing credit demand, monetary conditions in India remained remarkably stable over the last two decades. The ratio of money and quasi money to GDP in India increased continuously from 35.0 per cent in 1981-85 to 57.9 per cent in 2001-03 (Table 5). From a cross-country perspective India's rank in terms of the ratio of money and quasi money to GDP remained broadly unchanged at around 55th within a sample of around 180 countries. However, at the current level, the ratio remained substantially lower than the global average and also those for China, Korea and major industrialised countries.

In terms of net domestic credit to GDP ratio, India ranked 63rd among 175 countries, which indicate that the level of excess credit demand in the country is relatively modest. Moreover, over time, there has been substantial improvement in the credit-GDP ratio in the country from 44.5 per cent in 1981-85 to 56.8 per cent in 2001-03. This reflects deepening of the Indian financial sector. In the post-liberalisation period, the ratio of domestic credit provided by the banks to GDP increased from 49 per cent in 1991-95 to 57 per cent in 2001-03.

During the 1980s, nominal lending rate in India at 16.5 per cent remained one of the highest in the world. Since the initiation of reforms, *inter alia* due to phased deregulation of interest rates, higher competition, improved asset quality, better risk management practices and softening of inflationary situation, nominal interest rate declined gradually to 11.8 per cent in 2001-03. In real terms, over the last two decades, interest rate in India hovered around 6-8 per cent. Cross-country data suggests that this level of stability in real interest rate over such a long period is remarkable and this has been accomplished despite initiating wide ranging liberalisation measures since the early 1990s. Most EMEs, including China and many East Asian EMEs experienced large swings in real interest rates. The trend in real interest rate in India, on the other hand, is reflective of the stability and resilience of the Indian financial sector.

Despite strong increase in the 1990s, market capitalisation in India as a proportion of GDP remained at 31.7 per cent in 2001-03, which is much lower than the global average of 84.7 per cent. The ratio in India is much higher than that for low-income countries and comparable with the middle-income countries. During 2001-03, India ranked 49th among 106 countries in terms market capitalisation to GDP ratio. Realising the strong growth prospects in India, there has been distinct increase in investor interest – both domestic as well as foreign – in the Indian securities market. This is reflected in the fact that stocks traded as a percentage of GDP increased from 8.0 per cent in 1991-95 to 54.7 per cent in 1996-2000 and turnover ratio increased from 31.2 per cent in 1991-95 to 63.7 per cent in 1996-2000 and further to 185.3 per cent in 2001-03. India ranked 14th in terms of stocks traded as a percentage of GDP during 1996-2000 and the country ranked 4th in terms of the turnover ratio in 2001-03 (Table 5).

External Sector

While during the reform process the wedge between the global and Indian export-GDP ratio has narrowed down, export-orientation of the Indian economy still remains one of the lowest in the world. In 2001-03, India ranked 176th among 187 countries in terms of export orientation (Table 6). During 2001-03, the export-GDP ratio in India was 14.4 per cent while the import-GDP ratio stood at 15.2 per cent. During this period, the export-GDP and import-GDP ratios were 15.2 per cent and 13.6 per cent in Brazil, 29.6 per cent and 26.9 per cent in China and 34.4 and 22.9 per cent in Russia. It is, however, pertinent to note both that trade openness of larger economies is generally lower than smaller economies. For instance, the export-GDP and import-GDP ratios were 10.0 per cent and 13.8 per cent in the US and 11.0 and 10.0 per cent in Japan during the comparable period. India's export growth rate improved substantially since the initiation of the reform process. India's export growth rate was only 1.1 per cent in 1981-85; however, it increased to double digits since the 1990s. Consequently, India's global ranking in terms of export growth improved from 89th among 134 countries in 1981-85 to 26th among 173 countries. Consequent

upon greater export orientation and higher export growth rate as compared to most other countries, India's share in the global exports increased from 0.52 per cent in 1986-90 to 0.94 per cent in 2001-03. From being the 34th largest exporter in 1981-85, India has become 27th largest exporter in 2001-03. Despite having relatively low import orientation, India's import growth rate since the 1990s has been substantially higher than the global average as well as growth rates registered by most of the EMEs including those from East Asia. In terms of import growth India ranked 42nd among 172 countries during 2001-03.

The quantum of net capital inflows to the country showed successive increases over the last two decades. While even before initiation of reforms during 1986-90, India ranked 2nd among the 110 EMEs³ in terms of net capital inflow, apart from increase in quantum, the composition of capital inflow to India has undergone a transformation. In line with the stated objectives of the Indian authorities, the proportion of debt creating inflows have declined and that of non-debt creating flows have increased. In 2001-03, India ranked 6th among 135 countries in terms of net capital inflows. In line with India's efforts to emerge as a major destination for foreign direct investment (FDI), India's global rank in this regard improved from 124th in 1986-90 to 18th in 2001-03. While there is a general consensus that the quantum of FDI inflows to India remains much lower than the potential for the country, various steps are underway to increase such flows. In the recent years, the buoyant equity market in India has attracted large portfolio investment inflows. From being the 5th largest recipient of portfolio investment inflows among 136 EMEs during 1991-95, on an average basis, India has emerged as the largest net portfolio investment receiving EME during 2001-03.

III. Infrastructural Indicators

India's relative global position in terms of infrastructure facilities indicates three main points. First, infrastructural constraints continue to be one

³ For most of the indicators on cross border capital flows, the World Bank database does not provide details for high income countries.

of the major impediments faced by the Indian entrepreneurs. There are identifiable large gaps in infrastructure facilities in the country. On account of efficiency and quality considerations and perhaps more importantly due to lack of resources, large scale public financing of such facilities is not feasible. Despite increasing the role of private including foreign investment, initiating of public-private partnerships and putting in place innovative funding options, such funds are not coming in the required scale for various important infrastructure facilities. Second, progress in improving infrastructure facilities has been uneven across various infrastructure facilities. So far, under the liberalisation process, greater success has been achieved with respect to information technology, telecommunication, roads and ports. The level of success has not been as marked with respect to areas such as power and railways. Three, despite having one of the largest large infrastructure facilities and networks in the world (such as in terms of electricity production, road network, number of sea ports), per capita availability of such facilities and the quality of such services lag considerably behind not only the industrialised countries but also EMEs from East Asia and Latin America.

Private sector performance in India faces a range of bottlenecks due to poor quality of infrastructure. The power supply position continues to be a constraining factor for the Indian industry. In spite of a series of reforms in power, there are huge transmission and distribution losses. State Governments need to play a significant role in accelerating reforms in this sector. Similarly, despite having a large road network, there is a lack of quality roads except for a few quality stretches. Radical changes are, however, underway. Smooth, pristine roads are coming up, connecting major cities, providing traffic flows of more than 90 kilometres per hour. India is witnessing one of the world's largest road building projects with huge investment of Rs. 650 billion with participation of Government, World Bank and Private sector. Similarly, port sector capacity needs to be enhanced with adequate participation of the private sector. In the telecommunication sector, India has made a considerable progress with increased participation of private sector. Progress is evident in terms of

improved tele-density and increase in main lines per 1000 in the recent years (Table 7).

IV. Human Development Indicators

Assessment based on human development indicators published annually by UNDP suggests that India has been persistently improving on various aspects of human development and is placed along with the countries falling under the category of ‘medium human development’. However, the pace of progress seems to be slow, particularly in the areas of education and health. India’s rank in terms of human development index and gender development index continues to be low compared to even some countries of South Asia. The magnitude of social spending on sectors like health and education is far lower than the cross-country levels. This is evident from infant mortality rate in India, number of hospital beds per 1000, number of physicians per 1000, which are still not comparable with advanced economies and some of the EMEs. Although India’s growth performance has been robust in the recent years, but it is important to note that growth without development will deepen inequality. There is a need for linking growth with development and fill the gap between macroeconomic performance and social sector development. A significant percentage of population is still unable to access the improved sanitation facilities and water sources. The National Common Minimum Programme has accorded high priority to social sector development by encouraging people’s participation in the development process. However, the impact of such programmes can be expected only in the medium to long run. Since most of the social sector programmes fall under the jurisdiction of State Governments, their participation in implementing the programmes is very critical (Table 8).

V. Institutional Development in the Financial Sector

The Indian financial sector has witnessed tremendous improvement in its performance as compared to other emerging market economies. Substantial cost-efficiency and profitability has been achieved in the post reform period.

Although bank financial strength index for India is quite lower than advanced countries but it is definitely better than many major emerging market economies like China, Korea, Brazil, Argentina and Indonesia. The regulatory framework and supervisory practices have almost converged with the best practices elsewhere in the world as is evident from the fact that minimum capital to risk assets ratio has been kept at nine per cent, which is one percentage point above the extant international norm (Table 9). The problem of NPLs which were drag on the financial performance of banks has been adequately dealt with by initiating measures with respect to provisioning norms and enactment of securitisation and foreclosure Act. There has been a marked improvement in the asset quality with the percentage of gross NPLs to gross advances for the banking system reduced from 14.4 per cent in 1998 to 7.2 per cent in 2004. The recent levels of NPLs in India are better than most East Asian EMEs (Table 10).

Convergence to the global standards by the Indian banks is evident from the fact that India has complied with almost all the core principles of Effective Banking Supervision of the Basel Committee and commercial banks in India will start implementing Basel II with effect from March 31, 2007. Apart from this, some of the Indian banks are maintaining their accounts as per the Generally Accepted Accounting Principles in the US. According to the Indian Banks' Association Report on Banking Industry Vision 2010, the presence of global players in the Indian financial system is likely to increase and simultaneously some of the Indian banks would become global players in the coming years. As the process of mergers and acquisition gathers momentum in the Indian banking sector, some of the Indian banks may emerge as world-class banks with operations at the global scale. Presently, there are twenty Indian banks including a private sector banks which appear among the "Top 1000 World Banks" as listed by the London based magazine "The Banker". Among the top 100 global banks, India has only one bank, i.e., State Bank of India (SBI) which ranks 82nd, whereas China has 4 banks in the top 100. In terms of size, Indian banks including SBI are far behind the top banks in the world. However,

the financial strength of the Indian banks is among the highest in Asia (Table 11).

Other segments of financial market, particularly, Indian stock market is also comparable to the international stock markets in terms of turnover ratio. Presently, India has third largest investor base in the world. Indian Stock market trading and settlement system are of world class. India has one of the world's lowest transaction costs based on screen-based transactions, paperless trading and a T+2 settlements cycle. At the end of 2003, Standard and Poor's (S&P) ranked India 17th in terms of market capitalization (19th in 2002), 16th in terms of total value traded in stock exchanges (17th in 2002) and 6th in terms of turnover ratio which is a measure of liquidity (7th in 2002). India has the number two ranking in terms of listed securities on the exchanges second only to the USA. Despite having a large number of listed companies on its stock exchanges, India accounted for a meagre 0.96 per cent in total world turnover as compared to that of the US at 52.4 per cent of worldwide turnover in 2003. In terms of market capitalization, Indian companies accounted for 0.87 per cent of the worldwide market capitalization while US accounted for 44.7 per cent in 2003. These data, though quite impressive, do not reflect the full Indian market, as S&P (even other international publications) does not cover the whole market. For example, India has more than 9000 listed companies at the end of March 2004, while S&P considers only 5,644 companies. If whole market were taken into consideration, India's position vis-à-vis other countries would be much better.

VI. Competitiveness Indicators

India's competitiveness *vis-à-vis* other EMEs has improved in the recent years as measured by various competitiveness parameters. In terms of competitiveness rankings compiled by various international institutions, though India is way behind some of the developed economies, the country could put up a better performance than various other EMEs in the last few years. In terms of growth competitiveness ranking, India has overtaken countries such as

Argentina, Indonesia and Brazil over the last four years, though it lagged behind its main competitors like China, Thailand, Malaysia, and Korea. The index of India's macroeconomic environment has improved from 59 in 2002 to 52 in 2004. On the other hand, the index for China declined from 6 in 2001 to 38 in 2002, but improved to 24th in 2004. The other EMEs of Asia, including Thailand (23), Indonesia (63) and Philippines (69) have also witnessed steady declines in their ranking over the last few years. Similarly, in terms of Business Competitiveness Index ranking also, India has improved its ranking over the years (Table 12).

As per IMD's world competitiveness rankings 2005, India has been ranked as a more competitive economy than Indonesia, Argentina, Mexico, Brazil and South Africa. In terms of BCI ranking, India has been placed comfortably at the 30th position in 2004, which is much higher than many countries in Asia including China (47), Indonesia (44), Thailand (37) and Philippines (ranked 70). India's ranking is also much higher as compared to the EMEs in Latin America including Argentina (74) and Brazil (38). The higher ranking of India could be attributed to both its higher company operations and strategy ranking and the quality of national business environment ranking. Since 1996, India has overtaken both Argentina and Brazil in IMD's world competitiveness ranking (Table 13).

However, as per the UNIDO's Competitive Industrial Performance ranking, majority of the South East Asian and Latin American countries are placed higher than India. Relatively higher level of tariffs is also often a competitive disadvantage for the country. Further, availability of sub-optimal infrastructural facilities and lack of quality consciousness has left the country's export quality below par as compared to other EMEs such as China, Thailand, Philippines, Malaysia and Singapore. The issues related to tariffs and infrastructural facilities are already drawing attention of the Government. Despite the fact that India lags in terms of some competitiveness rankings, with an improved growth performance in recent years and attractiveness of Indian market as a significant investment destination, India would soon catch up with

other EMEs such as China, Chile, Korea, Thailand, Malaysia and Singapore. In recent years, India has emerged as one of the most attractive FDI destinations - beating markets like Brazil, Mexico and Poland. According to A T Kearney's (2004) FDI Confidence Index, for the first time, India has displaced the US to become the second most attractive FDI location among manufacturing investors. India has improved prospects for bettering its competitiveness by thriving on its skilled workforce, prevalence of low wages, and especially an English-speaking work force, because of which the country has fast become a hot spot for outsourcing of business services. In the ensuing years, India's competitiveness will further strengthen due to its strong macroeconomic environment, improvement in productivity, enrichment in technology upgradation and increasing its trade share.

Let me conclude, the Indian economy has come a long way and is presently re-emerging in the committee of nations. Several issues are bound to arise in this endeavour, and in this context I must congratulate the EXIM Bank for their initiatives in promoting quality research in this challenging area.

Table 1: India's Global Position in terms of GDP Indicators

Indicator	Unit	1981-85	1986-90	1991-95	1996-2000	2001-03
GDP	(Constant US \$)	179	237	304	413	508
		(17)	(17)	(14)	(14)	(14)
Share in Global GDP	(per cent)	0.96	1.06	1.19	1.4	1.55
		(17)	(17)	(14)	(14)	(14)
GDP at PPP	(US \$)	623	972	1,452	2,149	2,839
		(7)	(6)	(5)	(4)	(4)
Share in Global GDP at PPP	(per cent)	3.76	4.15	4.66	5.34	5.77
		(7)	(6)	(5)	(4)	(4)
GDP Growth Rate	(per cent)	5.4	6.2	5.2	5.8	6
		(27)	(29)	(41)	(32)	(29)
Variability of GDP Growth Rate	(per cent)	27	35	52	27	40
		(151)	(144)	(135)	(155)	(99)
GDP Per Capita	(Constant US \$)	244	290	338	420	485
		(153)	(168)	(161)	(156)	(151)
GDP Per Capita in PPP	(Constant US \$)	1,303	1,557	1,821	2,255	2,599
		(128)	(143)	(137)	(131)	(124)
Growth in Per Capita GDP	(per cent)	3.1	4	3.3	4	4.3
		(32)	(38)	(36)	(35)	(33)
Variability of Per Capita GDP Growth Rate	(per cent)	45	53	83	38	57
		(151)	(144)	(133)	(158)	(113)

Note: (1) Figures in brackets indicate India's global ranking.

(2) For all indicators, the country with the highest value has been ranked 1.

(3) Values for a period relate to annual average during that period.

Source: World Development Indicators, World Bank.

Table 2: India's Global Position in terms of Real Sector Indicators

Indicator	Unit	1981-85	1986-90	1991-95	1996-2000	2001-03
Share of Agriculture in GDP	(per cent)	35.8	31.9	30.4	27.1	23.3
		(23)	(37)	(39)	(47)	(52)
Growth in Agricultural Production	(per cent)	3.3	3.8	2.5	2.7	3.5
		(58)	(55)	(70)	(84)	(55)
Share of Industry in GDP	(per cent)	25.9	27	26.9	26.7	26.3
		(97)	(111)	(115)	(104)	(105)
Growth in Industrial Production	(per cent)	6.1	8.2	6.1	5.3	5.5
		(25)	(25)	(38)	(58)	(53)
Share of Manufacturing in GDP	(per cent)	16.3	16.7	16.7	16.2	15.6
		(51)	(72)	(86)	(84)	(81)
Growth in Manufacturing Activities	(per cent)	7.1	8.2	7.2	5.1	5.7
		(29)	(23)	(30)	(61)	(43)
Share of Services in GDP	(per cent)	38.3	41.1	42.7	46.2	50.4
		(126)	(133)	(141)	(134)	(119)
Growth in Services Activities	(per cent)	6.4	7.1	7.1	8.2	7.5
		(22)	(19)	(22)	(13)	(13)

See Notes to Table 1. Source: World Development Indicators, World Bank.

Table 3: India's Global Position in Domestic Saving-Investment Rates

Indicator	Unit	1981-85	1986-90	1991-95	1996-2000	2001-03
Domestic Saving Rate	(per cent of GDP)	19.6	21.9	22.9	21.0	22.1
		(74)	(81)	(56)	(77)	(69)
Domestic Investment Rate	(per cent of GDP)	21.8	23.3	23.4	22.4	23.0
		(93)	(81)	(75)	(89)	(68)

See Notes to Table 1.

Source: World Development Indicators, World Bank.

Table 4: India's Global Position in terms of Fiscal Indicators

Indicator	Unit	1981-85	1986-90	1991-95	1996-2000	2001-03
Central Government Deficit	(per cent of GDP)	-6.8	-8.1	-5.7	-5.1	-4.7
		(65)	(78)	(78)	(87)	(63)
Central Government Debt	(per cent of GDP)	..	51.4	50.5	51.6	64.7
		..	(21)	(31)	(44)	(17)
Tax Revenue	(per cent of GDP)	..	10.1	9.5	8.9	8.8
		..	(52)	(70)	(93)	(86)
Indirect Tax Revenue	(per cent of total revenue)	..	35.8	31.8	28.1	31.6
		..	(9)	(25)	(68)	(49)
Direct Tax Revenue	(per cent of total revenue)	..	14.8	19.8	23.6	28
		..	(46)	(39)	(40)	(28)

..: Cross-country data not available. See Notes to Table 1.

Source: Except for Central Government Deficit, World Development Indicators, World Bank and for Central Government Deficit, International Financial Statistics, International Monetary Fund.

Table 5: India's Global Position in terms of Monetary Indicators

Indicator	Unit	1981-85	1986-90	1991-95	1996-2000	2001-03
Money and Quasi Money	(per cent of GDP)	35 (56)	40 (53)	41.9 (59)	46.7 (64)	57.9 (54)
Growth in Money Supply	(per cent)	17.3 (53)	16.7 (67)	16.7 (87)	17.4 (62)	14.7 (68)
Net Domestic Credit	(per cent of GDP)	44.5 (68)	51.9 (60)	48.6 (71)	48.3 (71)	56.8 (63)
Domestic Credit to Private Sector	(per cent of GDP)	27.6 (90)	29.2 (90)	24.1 (105)	25.4 (109)	31.2 (93)
Domestic Credit Provided by Banking Sector	(per cent of GDP)	48 (77)	55 (70)	49 (91)	48 (93)	57 (80)
Lending Rate	(per cent)	16.5 (24)	16.5 (42)	16.7 (73)	13.7 (92)	11.8 (85)
Real Interest Rate	(per cent)	7.6 (18)	7.3 (51)	5.9 (85)	7.4 (79)	7.9 (77)
Liquid Reserve Requirement for Banks	(per cent of total assets)	12.2 (63)	15.2 (58)	16.0 (68)	10.1 (88)	6.0 (137)
Number of Listed Companies	(number)	..	3,561 (2)	3,682 (2)	5,900 (2)	5,696 (2)
Market Capitalisation	(per cent of GDP)	..	9.9 (39)	31.2 (28)	32.5 (45)	31.7 (49)
Stocks Traded	(per cent of GDP)	..	5.7 (24)	8.0 (33)	54.7 (14)	29.4 (31)
Turnover Ratio	(per cent)	..	64.6 (6)	31.2 (37)	63.7 (26)	185.3 (4)

..: Cross-country data not available. See Notes to Table 1.

Source: World Development Indicators, World Bank.

Table 6: India's Global Position in terms of External Sector Indicators

Indicator	Unit	1981-85	1986-90	1991-95	1996-2000	2001-03
Export-GDP Ratio	(per cent)	6.0	6.3	9.7	11.7	14.4
		(157)	(181)	(188)	(185)	(176)
Export Growth Rate	(per cent)	1.1	9.7	14.6	11.8	12.0
		(89)	(31)	(18)	(38)	(26)
Share of Manufacturing in Merchandise Exports	(per cent)	54.1	68.6	73.8	75.7	75.5
		(42)	(34)	(39)	(48)	(48)
Global Share in Goods and Services Exports	(per cent)	0.6	0.5	0.6	0.7	0.9
		(34)	(30)	(30)	(31)	(27)
Global Share in Services Exports	(per cent)	0.9	0.7	0.6	0.9	1.5
		(24)	(28)	(32)	(29)	(20)
Services to Merchandise Exports	(per cent)	32.8	28.3	24.4	32.2	46.7
		(50)	(66)	(89)	(69)	(41)
Import-GDP Ratio	(per cent)	8.2	7.7	10.2	13.0	15.2
		(157)	(182)	(193)	(195)	(182)
Import Growth Rate	(per cent)	6.9	6.0	18.2	9.0	7.7
		(19)	(59)	(13)	(49)	(42)
Share of Fuel in Total Imports	(per cent)	33.2	19.6	27.0	28.5	32.5
		(13)	(12)	(7)	(8)	(5)
Net Capital Inflow	(US \$ billion)	1.6	3.4	4.2	6.1	7.2
		(7)	(2)	(8)	(9)	(6)
Total External Debt	(US \$ billion)	31.5	64.6	93.3	96.6	105.5
		(6)	(3)	(5)	(8)	(8)
Net FDI Inflow	(US \$ billion)	0.0	0.0	0.8	2.5	3.1
		(116)	(124)	(38)	(28)	(18)
Net Portfolio Investment Inflow	(US \$ billion)	0.0	0.1	1.7	2.1	4.1
		(60)	(5)	(5)	(4)	(1)
Foreign Exchange Reserves	(US \$ billion)	9.0	9.0	16.0	32.0	75.0
		(21)	(25)	(25)	(17)	(9)
Import Coverage Ratio	(months of imports)	5.4	4.2	4.7	5.7	9.5
		(16)	(33)	(33)	(21)	(9)

See Notes to Table 1.

Source: World Development Indicators, World Bank.

Table 7: Infrastructure Sector Indicators: Global Rank of India

	Global Rank	
	1981-85	2001-03
I. Electricity and Energy		
Electricity Production (KWH)	12	6
Electricity Consumption per capita (KWH)	88	104
Transmission and Distribution Losses	91	114
Energy Production (Kg of Oil Equivalent)	4	5
Energy Production per Capita (Kg of Oil Equivalent)*	107	104
Energy Use (Kg of Oil Equivalent per Capita)	97	105
GDP per Unit of Energy Use (2000 US\$ per Kg of Oil Equivalent)	87	96
II. Telecommunication		
Telephone Mainlines Per 1000 People	162	142
Number of Mobile Phones (Per 1000 People)@	143	161
Number of Fixed Lines and Mobile Line Subscribers (Per 1000 People)	158	149
International Telecom Outgoing Traffic (Minutes per Subscriber)	156	183
III. Ports		
Container Port Traffic (Million TEUs)#	20	18
IV. Roads		
Length of Road Network (Million Kms.)	2	2
V. Air Transport		
Air Freight Transport (Million Tons per Km.)	16	29
Air Passengers Carried (Million)	13	18
Number of Aircraft Departures	17	19
VI. Railways		
Rail Lines (Total Route Kms)	2@@	2
VII. Information Technology		
Information and Communication Technology Expenditure as per cent of GDP##	57	57
Internet Users (Per 1000 People)	143	89
Personal Computers (Per 1000 People)**	139	134
Computer as per cent of Commercial Service Exports	49	14
VIII. R&D Expenditure		
R&D Expenditure as per cent of GDP***	31	20

* Rank in the years 1999 and 2002, respectively.

@ Rank for the period 1991-95.

Rank in the years 2000 and 2003, respectively.

@@ Rank for the period 1999-2000.

Rank in the years 2000 and 2003, respectively.

** Rank for the period 1995-2000 and 2002, respectively

*** Rank in the years 1996 and 2002, respectively.

Source: World Development Indicators, World Bank.

Table 8: Human Development Indicators: Global Rank of India

Human Development Index	Global Rank	Total No. of Countries	
	1990	102	135
	2002	127	177
Infant Mortality Rate			
	1990	78	192
	2003	61	182
Births Attended by Skilled Health Staff			
	2000	50	63
Adult Literacy Rate			
	1981-85	96	121
	2001-02	81	98
Expenditure Per Primary Student (per cent of GDP per Capita)			
	1999	58	74
	2001	49	82
Health Expenditure as per cent of GDP			
	1998	105	189
	2002	88	189
Health Expenditure per Capita (Current US\$)			
	1998	138	189
	2002	129	189
Number of Hospital Beds Per 1000			
	1981-85	104	112
	1991-95	108	117
External Resources for Health (per cent of health Expenditure)			
	1998	84	183
	2002	105	183
Improved Sanitation Facilities (per cent of Population with Access)			
	1990	56	113
	2002	62	155
Improved Water Source (per cent of Population with Access)			
	1990	29	126
	2002	15	164
Organic Water Pollutant Emissions			
	1981-85	119	122
	1996-2000	104	106
Urban Population (per cent of total Population)			
	1981-85	163	203
	2001-03	174	201
Child Labour (per cent of 10-14 age group)			
	1981-85	75	174
	2001-03	39	174
Net Migration			
	1985	11	113
	2000	4	109

Source: Calculations based on WDI Online database.

Table 9: Bank Regulatory Capital to Risk-weighted Assets

	(Percent)					
	2000	2001	2002	2003	2004	
India	11.1	11.4	11.9	12.9	13.4	(June)
China	13.5	12.3	11.2	NA	NA	
Indonesia	21.6	18.2	20.1	22.3	11.4	(Sep.)
Malaysia	12.5	13	13.2	13.8	13.7	(October)
Thailand	11.3	13.3	13	13.4	11.7	(June)
Korea	10.5	10.8	10.5	10.5	10.9	(June)
Brazil	14.3	15.3	16.7	18.9	18.3	(Sep.)
Chile	13.3	12.7	14	14.1	13.3	(Sep.)
Mexico	13.8	14.7	15.5	14.2	14.6	(Sep.)
Argentina	10.4	13.2	13.9	12.1	11.2	(Sep.)
USA	12.4	12.9	13	13	13.2	(Sep.)
UK	13.0	13.2	12.2	12.4	NA	

Source: Global Financial Stability Report, IMF, April 2005.

Table 10: Performance of Banks in terms of Gross NPLs

	(Percent of total assets)					
	2000	2001	2002	2003	2004	
India	12.8	11.4	10.4	8.8	6.6	(June)
China	22.4	29.8	25.5	17.9	NA	
Indonesia	34.4	28.6	22.1	17.9	14.9	(Sep)
Malaysia	15.4	17.8	15.8	13.9	12.6	(Oct.)
Thailand	17.7	10.5	15.7	12.9	12.4	(June)
Korea	8.9	3.3	2.4	2.7	2.4	(Sep)
Brazil	8.4	5.7	5.3	4.4	3.8	(Sep)
Chile	1.7	1.6	1.8	1.6	1.4	(Sep)
Mexico	5.8	5.1	4.6	3.2	2.7	(Sep)
Argentina	16	19.1	35.6	33.6	32.0	(Sep)
USA	1.1	1.3	1.4	1.1	0.9	(Sep)
UK	2.5	2.6	2.6	2.2	NA	

Source: Global Financial Stability Report, IMF, April 2005.

Table 11: Weighted Average Bank Financial Strength Index*

Country	Dec.-2002	Dec.-2003	Dec.-2004
India	27.5	27.5	24.2
China	10.0	10.0	10.0
Indonesia	3.0	3.0	7.3
Malaysia	31.7	33.3	35.2
Thailand	15.8	15.8	15.8
Korea	16.7	18.3	18.3
Brazil	25	24.3	24.3
Chile	52.5	56.5	57.8
Mexico	39.6	39.6	41.7
Argentina	0	0	0
USA	75.0	75.0	77.0
UK	83.8	83.3	83.3

* 0 indicates the lowest possible average rating and 100 indicates the highest possible average rating.
Source: Global Financial Stability Report, IMF, April 2005.

Table 12: Business Competitiveness Ranking - 2004

	BCI ranking	Company operations & strategy ranking	Quality of the national business environment ranking
Asia Pacific			
China	47	39	47
Philippines	70	50	77
Indonesia	44	38	46
Korea	24	21	28
Malaysia	23	28	23
Thailand	37	36	36
South Asia			
India	30	30	32
Pakistan	73	67	75
Sri Lanka	68	69	67
Latin America			
Argentina	74	68	78
Brazil	38	29	44
Chile	29	33	29
Mexico	55	46	56

Source: Global Competitiveness Report, World Economic Forum, 2004-05

Table 13: World Competitiveness Ranking – Select Countries

Country	1996	Country	2005
United States	1	United States	1
Singapore	2	Singapore	3
Japan	4	Chile	19
Chile	13	Japan	21
United Kingdom	19	United Kingdom	22
Malaysia	23	Thailand	27
China	26	Malaysia	28
Korea	27	Korea	29
Thailand	30	China	31
Argentina	32	India	39
Brazil	37	South Africa	46
India	38	Brazil	51
Indonesia	41	Mexico	56
Mexico	42	Argentina	58
South Africa	44	Indonesia	59

Note: Rank among 46 and 60 sample countries for 1996 and 2005, respectively.

Source: IMD World Competitiveness Yearbook 2005.