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THE ACCELERATION OF ECONOMIC GROWTH OF INDIAN ECONOMY THROUGH SOCIO-ECONOMIC POLICIES
Macro Socio-Economic Policies and their Impact

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Abstract: The socio-economic policies of an economy have impact on the growth rate. It is evident from research that the socio-economic policies of an economy have contributed in the exponential growth in gross domestic product. According to Economic Survey 2017-18, Indian economy is likely to grow between 7 to 7.5 percent in the fiscal year 2018-19. The current reduction in Direct Tax rate from 10 percent to 5 percent for income level upto Rs. 5 lacs also has impact on the consumption level of citizens of the country. The current research will focus on the socio-economic policy of Indian economy. There are two major policy changes in the Indian economy; first demonetization in November 2016; secondly, the imposition of goods and services tax and well as other policy changes such as declaration of income, Aadhar linking and digitalization etc. These two policies change significant impact on economic growth of Indian economy. The socio-economic policies have impact of sustainable development. The current research will focus on polices of Indian government, which have impact of reduction of poverty, reduction of unemployment and economic growth. The data will be collected from secondary resources on growth rate, poverty and unemployment in India. The different statistical tools can be applied to arrive at the result. Based on the results derived from the analysis of data, the policy maker can review the policy amendments. The research will conclude that which are the significant socio-economic policy that have impact on the economic growth of Indian economy.

Keywords: economic growth, Indian economy, socio-economic policies, policy

INTRODUCTION

The socio-economic policies of Indian economy play a vital role in the acceleration of economic growth. There are numerous studies on the socio-economic polices and their impact on the economic development of an economy. Indian economy has major changes in the last 4 years. The first major change in the economy was demonetisation. It has significant effect on the growth rate of Indian economy. Before demonetization the growth rate in GDP was 7.3 percent, but after the demonetization it was below 7 percent. Initially it shows a negative impact on the growth rate of Indian economy, because 86 percent currency value in circulation was withdrawn without any back currency. This policy has few impacts on Indian economy. First, its disturbed economic activities as it was a liquidity shock for the nation. Second, there was liquidity crunch in the economy. Third, the major part of population was affected by demonetization especially daily wage earner and they ware not able to do their daily transaction. Fourth, there was impact on the back deposit and interest rate. Most of bank reduced their interest rate on savings. There are few major impacts of demonetization on Indian economy.

The second major policy change in India is imposition of Good and Services Tax (GST). It came in force in July 2017. Initially, the acceptance of GST was very less in the country and many states oppose for GST. But after some time almost all the states accepted the new tax policy i.e. GST. When just was imposed, it was second major shock in the economy as it brought down the GDP growth rate. Even government had to revise the tax for some category as GDT on restaurants. When the GST was imposed it was 18 percent on restaurants, later it was revised to 5 percent.

Apart from the major policy change in the recent time as discussed above, there are few major economic change government has initiated. The Prime Minister has launched Pradhan Mantri Jan Dhan Yojana (PMJDY) as the National Mission on Financial Inclusion on 28th August 2014. The main objective of this policy is the comprehensive financial inclusion of all the household in the country. In this policy every household has been given the basic banking facilities such as access of credit, insurance, pension facilities, direct benefit transfer (DBT) and many more. As per the government reports there are more than 32.25 crore benefices of this scheme. The comprehensive date on this is given in table below:

Table 1
Pradhan Mantri Jan - Dhan Yojana

(All figures in Crore)

Bank Name/ Type	*Number of Beneficiaries at rural/semi urban centre bank branches*	*Number of Beneficiaries at urban metro centre bank branches*	*No of Rural-Urban Female Beneficiaries*	*Number of Total Beneficiaries*	*Deposits in Accounts (In Crore)*	*Number of Rupay Debit Cards issued to beneficiaries*
Public Sector Banks	14.02	12.03	13.52	26.05	64388.62	19.64
Regional Rural Banks	4.39	0.81	2.85	5.2	14072.06	3.7
Private Sector Banks	0.6	0.4	0.53	1	2214.15	0.93
Grand Total	19.02	13.23	16.9	32.25	80674.82	24.27

Beneficiaries as on 01/08/2018

Source: https://www.pmjdy.gov.in/account

The progress of PMJDY is shown in the table above. This also has an impact on the GDP growth rate of Indian economy. This scheme of government has contributed significantly in the economic growth of Indian economy.

Apart from these major economic policies change, the government of India has many other policies as:

- Labour Welfare Fund
- Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)
- National Maternity Benefits Scheme (NMBS)
- Prime Minister Rozgar Yojana (PMRY)
- Rural Employment Generation Programme (REGP)
- Schemes for Rehabilitation of Bonded Labourers
- Support Training and Employment Programme for Women (STEP)

These are few socio policies government has started recently. All these socio economic policies has positive impact on the economic growth of Indian economy. The main objectives behind this socio-economic policies are to reduce poverty; reduce unemployment and increase in GDP on the country.

LITERATURE REVIEW

The economy of India has major contribution in the economics of Asia. To have accelerated growth, India should learn from the history. Indian government should frame policies, where the research and development is given significant importance. The economy should improve the economic development process, where more emphasis should be given on city competitiveness, on research and development and on entrepreneurship, on the ensuring of the system security and on human capital and education (Gentimir, 2015). The research reveals that the socio-economic polices are framed in such a way that no area is ignored or given least importance.

The socio-economic policy are required for social justice and equal distribution of national income. The policy maker should explain the process of socio-economic policy that how these policy is going to benefit the citizens at a large. The different macroeconomic aggregates are bearers of social relations and are infused with social values (Elson and Cagatay, 2000).

A research suggest that the quantitative socio-economic analysis of polices is a significant tool for decision making, as it offer many instruments and approaches suitable for various analysis (Bellu and Pansini, 2009). The analysis of the policy should be in such a way that it can help the policy makers to make appropriate decisions.

As per the world bank report, the sound analysis of a country's political context is required to have planned development for the policy makers. The operational staff and in-country policy makers or the timing of the exercise are essential components, which influence the final impact on decision making. To have effective implementation of macroeconomic socio and political analysis the formulation of actionable policy recommendation are key challenges. This report also suggests that effectiveness of macro social and political analysis is enhancing aid effectiveness and promotes pro-poor policy reforms (World Bank Report, 2006).

RESEARCH METHODOLOGY

This paper is based on the exploratory research. The secondary sources of information have been used. The data is also collected from secondary resources. The main objective of this research is to find out the relationship between the GDP growth rate with different macroeconomic variables. For the data analysis the various statistical tools such as descriptive, regression and ANOVA are used. For the analysis there are one dependent (Gross Domestic Product) and three independent variables (Unemployment Rate, Per Capita Income and Consumer Price Index) has been taken in consideration. The data is for the last 11 years (from 2008 to 2018).

ANALYSIS OF DATA

In this section of the paper, the data on gross domestic product, unemployment rate, per capita income of GDP and consumer price index has been analysed with the help of descriptives, ANOVA and regression. To establish relationship between the variable the following regression equation has been taken into consideration:

Gross Domestic Product $(Y_t) = \alpha + \beta_1$ *Unemployment Rate* $(X_{1t}) + \beta_2$ *(Per Capita Income of GDP* $(X_{2t}) + \beta_3$ *Consumer Price Index* $(X_{3t}) + \varepsilon_t$

In the above regression equation Gross Domestic Product is dependent variable and Unemployment Rate, Per Capita Income of GDP and Consumer Price Index are independent variables.

Table 2
Regression Statistics

Regression Statistics	
Multiple R	0.99
R Square	0.98
Adjusted R Square	0.97
Standard Error	79.87
Observations	11

In the above table the regression statistics are given. As per this table the value of Multiple R is 0.99. It shows very high correlation between the variables. The value of R Square is 0.98, which is also very high. It shows the association between variable is very high and shows best fit of regression line. The value of Adjusted R Square is also very high.

Table 3
Analysis of Variance

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	2417053.4	805684.46	126.290	1.86E-06
Residual	7	44657.23	6379.60		
Total	10	2461710.63			

In the above table the Analysis of Variance is defined. It shows that the F-Ratio is high and significant. The explained variation is above 98 percent. It shows strong associations between variables.

Table 4
Regression

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	3016.99	955.553	3.16	0.016
Unemployment Rate	-495.99	206.10	2.41	0.047
PCGDP	0.024	0.003	7.99	9.18957E-05
CPI (2001=100)	5.63	2.10	2.68	0.031

In the above table the regression coefficients are given. Based on the above table the regression equation is as:

$$Y_t = 3016.99 - 495.99\, X_{1t} + 0.024\, X_{2t} + 5.63\, X_{3t} + \varepsilon_t$$

It is evident from the above table that there is negative relationship between GDP and Unemployment Rate. It shows that when there is increase in employment rate then it will cause in the decline of GDP. The coefficient of Unemployment Rate is also significant at 5 percent level of significance. The per capita income of gross domestic product has positive relationship with GDP but the coefficient is not significant. The third independent variable consumer price index also has positive relationship with GDP and the coefficient is significant at 5 percent level of significance.

CONCLUDING REMARKS

The socio-economic policies of a country have significant impact on economic growth and economic development. The government must frame socio-economic policies should strengthen the economic growth. In the current work, the research is limited to few variables, which are considered as significant variables. It is evident from the current research the unemployment rate has negative impact on the growth to gross domestic product. Based on this it can be concluded that government should strengthen the policies for employment generation. The government has already launched many policies for employment generation, but still India is facing 3.51 percent unemployment rate. It can be reduced by strengthening the existing polices and new opportunities can also be generated by the government. The other significant aspect is stable price level in the country. As per the analysis, it is clear that consumer price index has positive impact on the growth of gross domestic product. The Government of India should maintain the stable price level in the country by strengthening its monetary and fiscal policies.

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