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Role of private investment in India's growth

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Abstract
This research paper interprets the role of private investment in India's growth using secondary methods of data collection. The research paper sheds light on the implication of privatisation on factors such as GDP, entrepreneurship, employment and environmental efficiency. The paper analyses the 1991 economic reforms in India and how they led to the accessibility of privatisation. The paper also concludes the existing government initiatives and seeks to recommend the policies that could be adopted.

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I. Introduction:

It is impossible to exaggerate the significance of the role that the private sector plays in fostering growth and economic development in a nation. The creation of jobs, the provision of finances, the development of competitiveness, and the propulsion of innovation are all critical components of economic expansion, and private businesses are the primary agents behind these processes.

In particular, the private sector is the one that engages in entrepreneurial risk-taking, which is an essential component of how it converts investments into the production of wealth and the generating of revenue. This position takes on an even greater significance given the current circumstances, as mounting uncertainties in a global landscape that is undergoing rapid change are causing concerns about economic growth, especially for developing countries.

In the past, India has demonstrated a high level of resilience in the face of global volatility. It has also continued to grow gradually, which has placed it among the economies that are expanding at the quickest rate worldwide. During the year 2018, the Indian economy expanded at a pace of 6.8%, and it is anticipated that the economy will expand at a rate of 7% and 7.2% during the years 2019 and 2020, respectively. Since the economy was liberalised in 1991, the private sector has had a significant impact on India's progress and may be held mainly accountable for the extraordinary growth that the country has experienced since that time.

It is generally believed that privatisation will bring the company greater stability, which is something that a government-owned corporation should not worry about. The concept of privatisation was first brought into play in India in 1991, during the process of formulating a new economic policy.

The concept of privatisation is extremely expansive. It makes the idea that it will free up economic markets and make room for individual initiative and business. On the other side, privatisation has been criticised for its essentialist conceptions of efficiency and logic, as well as for undermining democracy and community. These criticisms stem from the fact that it undermines democracy and community.

As a symbol in many respects of a large number of developing nations that have taken the step to open their economies and engage in privatisation reforms in the previous ten years, our country was selected as a case study because of its similarities to those countries. In addition, India is another fascinating example because its democracy has endured for more than fifty percent of the twentieth century, during which time it has demonstrated that it is both robust and resilient.

The term "privatisation" refers to a variety of processes, some of which are the bringing in of private capital, the selling of assets that are owned by the government, and the shift to a private economy.

Even while the term "privatisation" can have a number of different connotations, in general it refers to a situation in which the government has a significant amount of influence over the ownership of a company. In point of fact, it is the bound responsibility of any government to have professional ownership that is both active and involved in the value creation process. These kinds of values can include things like economic value, social value, worth in terms of sustainability and livelihood, and so on.

II. Literature Review:

In the liberalisation era, public and private industries must be competitive to survive. **Bayineni (2004)** in his paper highlights public firms' poor financial and operational performance and raises the subject of privatisation. India's public firms have persistent losses and need state-funded equity injections and bank borrowing. Privatisation, the transfer of ownership and control of a corporation from the public to the private sector, is seen as a way to improve the public sector. Privatisation programs in transition economies should be evaluated based on their corporate governance processes, supporting institutions, and ability to produce a self-sustaining economic and political reform process.

India's economic reforms have encouraged the rise of private businesses without functionary management. This country's public sector needs modernization because it contributes to investment and development. **Jain (2021)**,in his research, talks about India's state-owned companies (SOEs), which need more dynamic structure. Central government SOEs have boosted profitability, investments, and growth since India transitioned to market-based pricing and incentives with improved contract enforcement. In many nations, including India, economic reforms aim to improve PSB efficiency and performance. Private ownership improves efficiency and performance. In the early 1990s, the Indian government began reducing its PSB shareholding.

Neerja, Vanita Tripathi and Simmarpreet Kaur (2018)analysed the trend, growth and emergence of private equity investment in India.The paper consisted of the qualitative and quantitative research design for their study, which included discussions of private equity's idea, structure, emergence, and growth drivers as well as statistical analyses of the trend and growth of private equity investment.

They examined the total amount of private equity investment across all industries and stages of investment. The quantitative analysis uses empirical analysis utilising the log-linear regression model as well as the usage of fundamental statistical tools (mean, median, standard deviation, and average deal sizes). The overall paper concludes that an increasing and rising trends may be seen in private equity investment in India.

In the research of **Pradyumna Dash (2016)** the impact of public investment on private investment in India during 1970-2013 was estimated by using ARDL procedure through incorporating endogenously determined structural breaks in the model.To address the concern that the results could be influenced by government consumption expenditure, fiscal deficit, or inadequate infrastructure, the analysis was repeated while including these variables, and similar results were obtained.The investment regression was also modelled for a smaller sample period (1978-2013).His findings showed that in the post-liberalization era, the crowding out effect of public investment on private investment had diminished. The magnitude of the crowding out effect of public investment was reduced by a "market friendly" incumbent and a growth in foreign direct investment.

Similar to Blejer and Khan's findings (1984), the conclusion of the study is that public infrastructure influences private investment favourably in the short run. According to this, public investment should be concentrated more on products and services that are utilised simultaneously by many users, are non-excludable, and have substantial positive externalities.

Neelam Devi(2017) writes in "Assessing the Role of the Private Sector in the Growth of Indian Economy" that the private sector is vital to India's economy. This sector accounts for most national income and employment, demonstrating its economic importance. Even after significant public sector investments and more than 50 years of planning, the Indian economy remains overwhelmingly private sector-reliant. The study focuses on private initiatives to commit and receive materials in a globalised society, as well as the hurdles in realising its full potential. It illustrates the benefits of economic diplomacy in an interrelated world and India's project for it.

Developing countries can enhance living standards and succeed with an export-oriented, vibrant private sector. Public goods availability affects community and individual quality of life and a country's investment attraction. Government should support impoverished development. This increases the ability of the impoverished to engage, which boosts economic growth.

It facilitates industry. Profit drives all private businesses. They introduced new commodities, production tactics, plant equipment, and machinery.

India is predominantly agrarian. Nearly 22% of national income comes from farming, fishing, poultry, cattle breeding, animal husbandry, dairy farming, etc. 60% of the working population likes this location. Private companies handle this enormous agricultural industry.

The private sector can help attain SDGs through (a) indirectly raising aggregate income and wealth generation, (b) directly delivering low-cost goods and services to the extremely poor, and (c) advertising rule-based exchange devices. Using the private sector to offer services for the public sector and as a partner in ecologically and socially responsible development would increase operational effectiveness and coverage.

In the research paper of **Ajay Chhibber and Akshatakalloor(2016)** on "Reviving Private Investment in India: Determinants and Policy Levers", there are numerous empirical studies on India, and we summarise those that are relevant to our study. Bhanu Murthy, Bose, and Adhikari (2014) attempt to build a macroeconomic framework for India to review macro-fiscal linkages during the 14th Finance Commission period of 2015-19. They estimate private investment functions for four economic sectors – agriculture, industry, services, and infrastructure – as part of a macroeconomic model for the period 1991-1991 to 2012-13. The equations are primarily specified as a function of public investment in that sector, as well as the interest rate and capacity utilisation for some sectors. The findings show that public investment crowds out private investment and that interest rates harm private investment. As a percentage of nominal output, private investment is positively related to capacity utilisation in the industry.

GDP, public investment, user cost of capital, interest rate restraint, directed credit programmes, and reserve and liquidity requirements all influence private investment. The findings imply that some form of financial restraint may stimulate private investment. Directed credit programmes and high reserve and liquidity requirements, on the other hand, harm private investment in India.

Mitra (2006) provides empirical evidence for India (1969-2005) that government investment crowds out private investment in the short run but complements private investment in the medium to long run. Public investment, on the other hand, was found to be "crowding out" private investment in India between 1950 and 2012. However, from 1980 to 2012, there was support for crowding in private investment, which was attributed to policy reforms that began in the early 1980s and gained traction after the 1991 crisis.

The recent empirical literature has laboured expertise in the function of profitability as a key determinant of capitalist funding behaviour in growing countries. The outcomes display that price of income has quick and long-term high effects on funding, at the same time as income percentage and ability- the capital ratio has the useful long-term high quality effects, and the ability usage price has the most high quality effect on funding.

Adnan Filipovic (2005) in his paper "Impact of Privatisation on Economic Growth" has explained the concept of economic growth as a fundamental part of the field of macroeconomics, which is masterfully captured in William Easterly's The Elusive Quest for Growth. Easterly alludes to the idea that a combination of different factors (investment, education, technological innovation), along with a fundamental structural change might be the path to long term economic growth. Privatisation is a method of reallocating assets and functions from the public sector to the private sector. The process of privatisation can be an effective way to bring about fundamental structural change. It formalises and establishes property rights, which directly creates strong individual incentives. Along with creating strong incentives that induce productivity, privatisation may improve efficiency and provide fiscal relief.

Estrin & Pelletier (2018) in their paper "Privatisation in Developing Countries: What Are the Lessons of Recent Experience?" explained through the current empirical data on privatisation in developing nations is reviewed in this essay, with a focus on fresh lines of inquiry including the distributional effects of privatisation. The literature as a whole now presents a more circumspect and nuanced assessment of privatisation. Therefore, it is no longer asserted that private ownership alone will always result in economic gains in developing economies; instead, it is now believed that prerequisites, particularly the regulatory infrastructure, and an appropriate privatisation process, are crucial for achieving a positive impact. These include the execution of complementary policies, the development of regulatory competence, the consideration of poverty and social repercussions, and effective public communication. These are all tasks that are frequently difficult in developing nations. However, the studies clearly highlight the potential for privatisation that increases efficiency and fosters fairness in developing countries

The main aim of the study by **Ram Kumar Mishra (2014)** in his paper ,"role of state owned enterprises in India's Economic Development" provides detailed information about the state and the legal regulations and reforms to enhance and develop the private sector and encourage investors leading to economic growth and infrastructural advancement for the country. It discusses the types of support that are offered and how the ecosystem is developing, with a strong emphasis on start-ups that are technology-driven. A series of field expert interviews were also done to gain a deeper insight of the system. Based on these interviews, the five key growth drivers that an Indian start-up possesses were determined, along with the most significant obstacles. Moreover it discusses how certain industries are backed by funding from private players and how each and every state with its own policies and resources play an important decision for the building up of strategies for the private investors. The Eleventh Plan is cited in the article as a significant barrier to rapid growth. Therefore, the Plan had underlined the need for a significant increase in infrastructure investment based on a mix of public and private investment, the latter through various public private partnerships. Efforts to attract private investment into infrastructure through the PPP route have met with considerable success, not only at the level of the Central Government, but also at the level of the individual States

III. Research Objectives:

This paper's main objective is to examine how private investments have affected India's economic development. The following are the specific goals of the current study:

1) To understand the contribution of private investments on the GDP of India
2) To analyze the implications of private investments on the economic parameters

IV. Data and Research Methodology:

The purpose of this secondary research was to identify the main contributors to the rise in private investments in India and to establish their relative importance. The influence that these investments will have on the economy of India has also been examined.

To assess the goals at the national levels, extensive secondary research has been done. Databases, webpages, journals, and other research materials were examined. We extensively used economic surveys and official government websites . We referred to the data provided on the sites of the department of commerce and the ministry of commerce and industry. Due credit has been given wherever necessary

5.1 Contribution of Private Investments in India's GDP

For economies to expand faster and develop, corporate private investments are essential. By providing both direct and indirect employment, increasing consumption, and encouraging further development, increased investment has a multiplier effect on the economy.

In India, the total gross capital formation as a percentage of GDP in the years 2017–18 was roughly 31%. About two thirds of this was made up of small businesses in the household sector and the private sector. Development would go more quickly if the public and private sectors worked together effectively in key infrastructure and long-term investment areas.

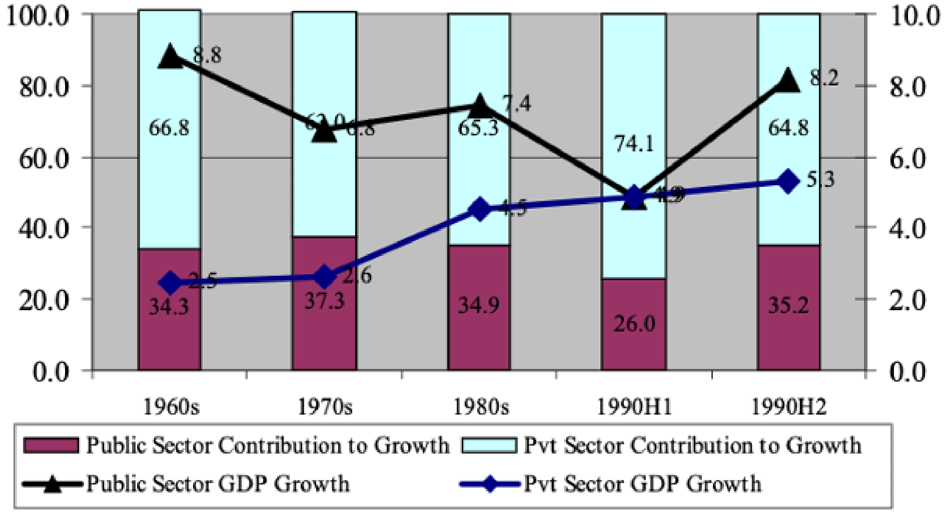
Funds from the private sector must be directed through public-private partnerships into important development areas. In order to entice private investment, the Indian government has created a number of formats, particularly in the fields of airports, industrial parks, higher education, and skill development.

In the long run, countries with higher private investment experience higher rates of growth. In order to boost long term economic growth and welfare, appropriate public policies that promote permanent increases in private investment rates are necessary.

A) Trends in Investment and GDP

Figure 1 depicts aggregate GDP growth trends from the 1960s to the end of the 1990s. The rates of growth were calculated by fitting a log-linear trend. The rate of GDP growth in the public sector has always been higher than the rate of GDP growth in the private sector. Only during the first half of the 1990s6 (1990H1) did both the public and private sectors grow at 4.9 percent each. However, in the second half, public sector GDP growth outpaced private sector GDP growth. The most important reason for higher public-sector GDP growth was salary and wage increases following the implementation of the Fifth Pay Commission's recommendations for government employees.

Figure 1. Trends in GDP Growth: All Sectors



Source: adb.org

Only from 1993-94 to 1996-97 did the private sector grow faster (7.6 percent per year) than the public sector (5.7 percent per year). This was the period when a slew of reform measures aimed at attracting the private sector were implemented, such as liberalising FDI inflows and industrial de-licensing, and the economy received a significant external demand boost from devaluation. This could not be sustained, and the private sector is still struggling to recover from the 1997-98 downturn.

Despite the fact that the public sector experienced faster growth than the private sector, the private sector's contribution to overall growth was always greater due to its larger share of GDP. Because previous government policies aimed at promoting the public sector, its share of total GDP continued to rise until the 1980s. Even in 1990H1, the public sector's share of total GDP was increasing. This trend was reversed in 1990-92, when the public sector's share of GDP fell slightly. The trend of the public sector's declining share of GDP was more pronounced from 1993-1994 to 1996-1997, when the private sector was booming.

In contrast to the poor growth in private sector GDP, there has been a clear shift in investment composition in favour of the private sector. The private sector's share of total investment increased from 56% in the 1990s to 71% by 1990H2 (Figure 2).

Figure 2. Trends in Shares in GDP and Investments: All Sectors

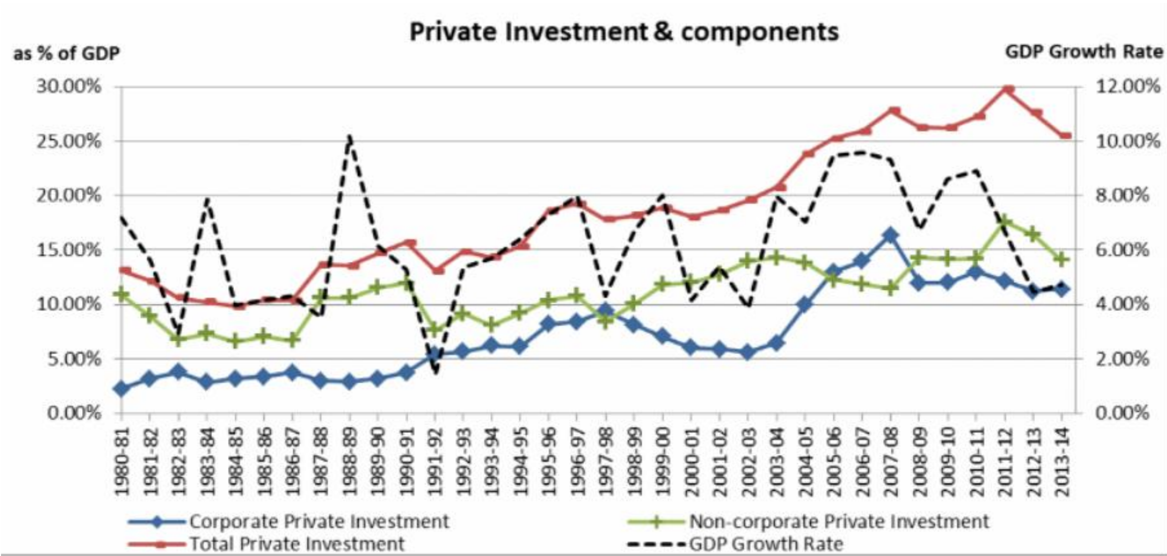
Source: adb.org

[1990H1 = 1990-91 to 1994-95; 1990H2 = 1995-96 to 1998-99 (public sector data is available only upto 1998-99)]

B) Analysing the determinants of aggregate private investment and its components

Private investment rose from less than 15% of GDP in 1980-81 to nearly 30% of GDP in 2011-12, but has since declined to around 25% of GDP. The increase in private investment occurred in stages, with the first occurring from the mid 1980s to 1990, when the private investment rate increased from 10% to around 15% of GDP. The next increase occurred in the mid-1990s, from 15% to 20% of GDP. The third surge occurred in 2004-05, when private investment increased sharply to surpass 25% of GDP, propelling the economy to a period of rapid economic growth averaging over 8% from 2003-04 to 2011-12, with a peak of 30% of GDP.

There are some interesting differences between corporate and non-corporate components of private investment. Following the 1991 economic reforms, corporate investment increased sharply from 5% to nearly 10% of GDP, but then fell back. Corporate investment rose sharply from 2004-05 to 16% of GDP in 2007-08 before falling sharply after the global economic crisis to around 12% of GDP. Non-corporate investment, which includes SME, household, and real estate investment, hovers around 10% of GDP from 1980-81 to 1999-2000, then rises to around 17% of GDP by 2012-13, but has since dropped to around 14% of GDP. In 2012–13 and 2013–14, India's GDP growth was less than 5%.



Source: CSO, RBI

Private investment in India must increase to about 30% of GDP, which, when combined with state investment of at least 6% of GDP, will enable sustained GDP growth of over 8%. Reviving private investment will be difficult, though, given the slower growth and the banking system's heavy burden of non-performing loans (NPLs). Other issues that have hurt India's competitiveness exist as well. Usually, public investment attracts private investment,but India has a significant lack of public infrastructure and falling state investment.

5.2 Impact of Private Investments:

The impact of private investments is so huge and diversified in certain areas that it cannot be overstated the importance of its growth and its role in building up our country. Private enterprises are the key agents in creating employment, providing funds, building competitiveness, and driving innovation. The private sector takes entrepreneurial risks, which is central to how it transforms investments into wealth creation and income generation, and employment rate growth.. In the past, India has shown strong resilience in the face of global volatility and has continued to grow steadily, gaining recognition all over the world and making sure it stays and rises above such dynamic and versatile global leaders placing it among the world's fastest-growing economies. The Indian economy grew at a rate of 6.8% in 2018 and showed a growth at a rate of 7% and 7.2% during 2019 and 2020, respectively. The private sector has played an important role in India's development and is responsible for the phenomenal growth registered by the country since the economy opened up in 1991. Some of the key areas where private investments have had a great impact are**:**

FOSTERING ENTREPRENEURSHIP AND INNOVATION

Ranked third in the world in the start-up ecosystem, many domestic Indian enterprises are developing solutions to manage and solve urban challenges. The majority of the start-ups are technologically updated and influenced around, most of these start-ups are concerned with e-commerce and consumer products and services, 2018 was touted as the year of food start-ups. B2C start-ups are slowly but surely emerging in terms of easing public service delivery and driving efficiencies, whether in waste, water, or energy. Continuing the creation of an ecosystem for private investment is therefore critical to enable the virtuous cycle of investment, demand, exports, growth, and jobs.

Private companies and investments in today's era plays an important role in the economic progress and technological advancement of any country because of the fact that since it is led by competition, it leads to more efficiency and output and better work, unlike PSUs which are only led for public welfare and cutting out competition. Private sector investments provide the necessary infrastructure that is sustainable, reliable, and can use modern technology to create new products and services. In order to transform new research into huge markets, private investments play an important part in most countries in spending on research and development, collaborating with various universities, and creating new products, models, and ideas. India has emerged as a significant player when it comes to converging technology and entrepreneurship. It is the second-largest start-up nation in the world, with more than 14,000 start-ups recognized under the Start-up India scheme. CII has led initiatives to boost innovation in the country and encourage young entrepreneurs, including the CII Start-ups Coalition and CII Startupreneurs which connect new entrepreneurs, investors, mentors, and service providers. In fig 5.21 we can see the growth of the economy and it is able to sustain itself because of certain private investments in the various tech companies leading to growth.

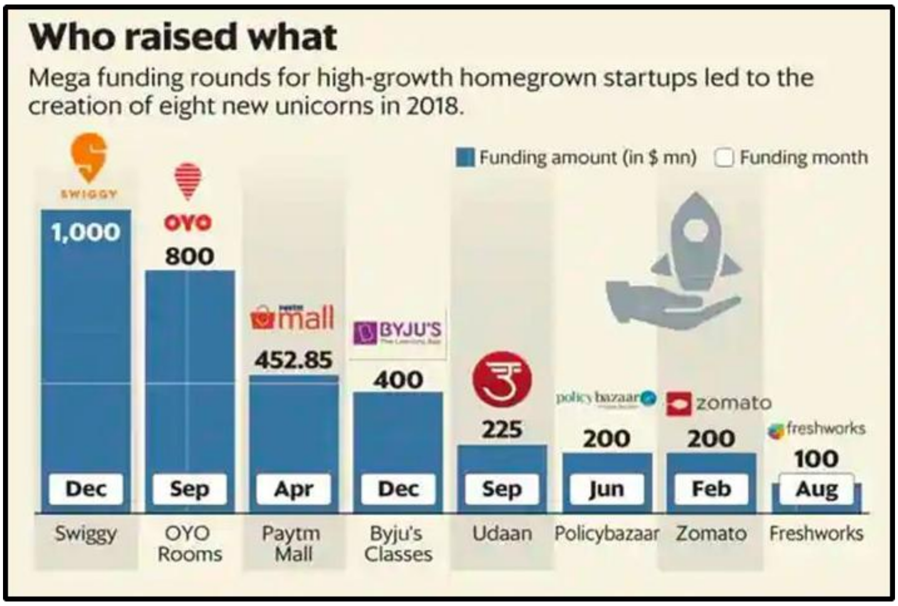
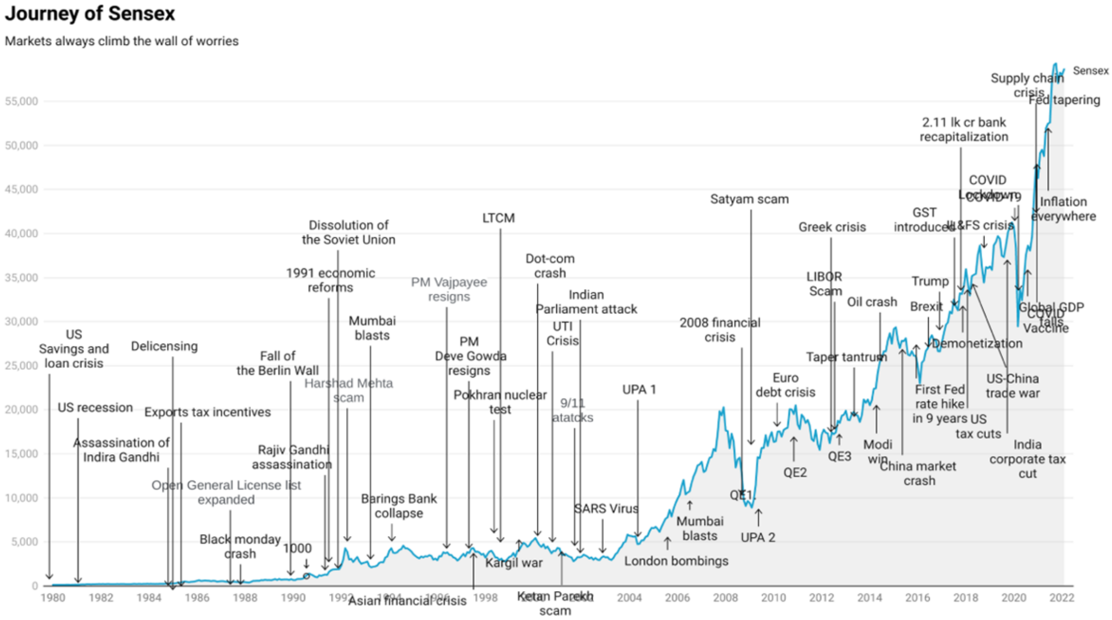


FIG 5.21



PRIVATE EQUITY GROWTH

Since independence we have seen a great increase in the growth of technology and infrastructure which is necessary for all the nations worldwide. Back in 2000's we saw the rise in the number of BPO's due to the outsourcing from countries like The US aiding to balance our current deficit and other telecommunication firms' growth further added a boost in the economy. Coming on to the present consumer tech and IT/ITES accounted for a large proportion of deal activity in the year 2021, indicating the tech and Internet industries' growing share of investment growth. The two sectors together accounted for about 60 percent of the year's deal value, or nearly $44 billion, which is higher than the total investment value for 2020.

Being one of the investors' favourites in the year 2021, IT/ITES enterprises pocketed investments of $14.2 billion in the year, a monumental jump of over 255 percent as compared to last year.

Indian IT is increasingly courting billion-dollar-plus deals, and the deal size and count are expanding with significant deals taking place in the sector in the last few years. India's economy showed great signs of recovery in FY22 after the COVID-19 pandemic. Real GDP or Gross Domestic Product (GDP) at constant (2011-12) prices in FY22 stood at Rs. 147.36 lakh crore (US$ 1.85 trillion), an 8.7% growth YoY, while nominal GDP stood at Rs. 236.65 lakh crore (US$ 2.97 trillion), a 19.5% growth YoY. These figures make India the fastest-growing major economy in the world, and this economic growth has translated to the investment market in India. Retail investors, mutual funds, and PE/VC firms have all stepped up their domestic investments in the Indian market.

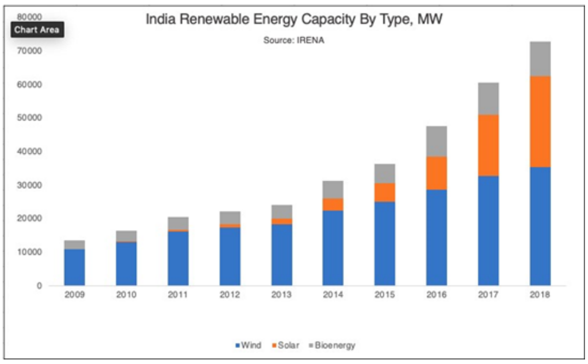
According to the above figure, the share of retail investors in companies listed on the National Stock Exchange (NSE) reached an all-time high of 7.42% as of March 31, 2022, up from 7.33% as of December 31, 2021. In the same period, in rupee terms, retail holding in companies listed on NSE reached an all-time high of Rs. 19.16 lakh crore (US$ 240.17 billion), up from Rs. 19.05 lakh crore (US$ 238.8 billion) on December 31, 2021 and has been rising since then which showcases the overall growth of the economy due to an increase in private investors.

CREATING LIVELIHOOD AND EMPLOYMENT

India has entered 37 years of its demographic dividend, which means the expansion of its working age population will last until 2055. With a rapidly changing employment landscape, including 11-12 million youth entering the labour force every year, jobs need to be created and effective skills initiatives put in place. The private sector plays a pivotal role in meeting this challenge. The private sector has strong links to higher investments in education and vocational training to bridge skill gaps in the economy, facilitating skills and training programs, creating partnerships with educational institutes and experts, and, most importantly, creating a future-ready and talented workforce. India has more than 900 universities and 39,000 colleges of which 78% are privately managed. In addition, most large, private enterprises have created in-house training and skills programs to help build the capacities of young workers in line with industry needs. Coming up with new products has certainly helped various new markets to emerge thus adding to further increase in the employment rate. Certain example of it would be food and tech related companies like Zomato and Swiggy increasing employment during covid times with the help of private investors by raising equity to expand all over the country. In fig 2.5 we can see a substantial rise in employment over the years since liberalisation and privatization leading to increase in the income of certain low income groups and thus helping in eradication of poverty.

BANKING The Indian financial system is bank dominated and banks play a critical role in the intermediation of financial savings towards productive investment. Banks may prefer lending to the private sector rather than investing in G-secs in view of the higher risk-adjusted returns from such an approach.Enhanced spending on private infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth in the banking sector. While government sectors mostly do not need to raise funds or do not require loans unlike private firms thus providing opportunity to banks to increase their profit and hence their working and expansion leading to the overall growth of not only private but public banks as well. The rise in competition amongst banks has also helped the people to get better loan facilities helping out both the banks as well as the citizens. Moreover the rise in private banks due to their management being better than those in the public sector and because their prime motive being profit and expansion has created certain other facilities such as third party products like mutual funds, equity, insurance, bonds, etc. leading to the enhancement of credit creation in the economy.

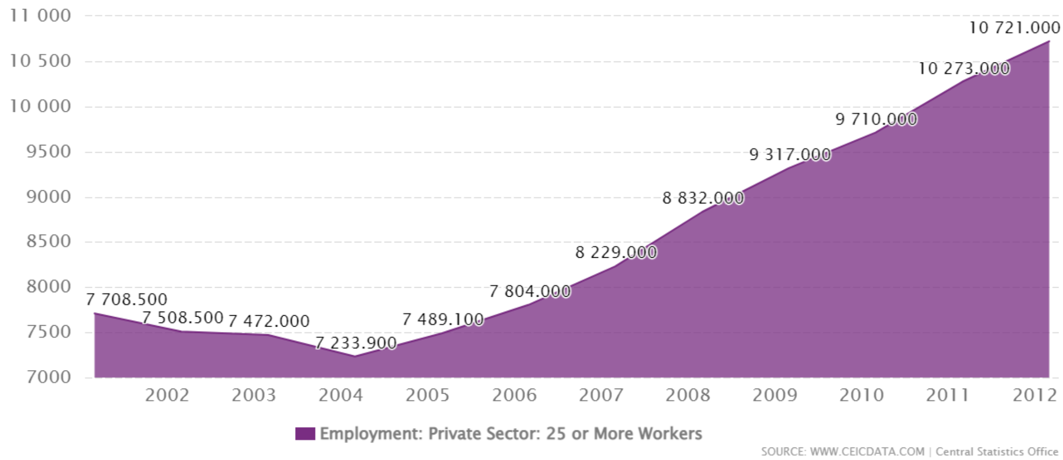
Customer	AC Capacity (MW)
Tata Power Group	1,220
NTPC	1,090
Brookfield	300
GSECL	130
Vibrant	45
NHPC	40
SECI	20
Total Capacity as on 30th Sep 21	**2,845**
Order Book as on 30th Sep 21 (₹ Cr)	**9,264**



ENVIRONMENT EFFICIENCY

Natural resource depletion and environmental deterioration, as we are all aware, are major obstacles to sustained growth. Due to the private sector's increased embrace of cleaner, greener technologies and the adoption and sharing of best practices, it is now essential to involve it in maintaining environmental efficiency. Although it will cost money, the private sector's adoption of innovative technologies for sustainable production will advance efficiency, sustainability, and better input and raw material utilization.

Significant funding and expenditures are needed to combat climate change and promote green growth. The private sector should take the lead and encourage more innovation and resource mobilisation, which are crucial for both ecological and economic sustainability. Examples of such resources include cash, budgets, communication systems, and necessary infrastructure. Let's take a look at the figures given above where efforts have been made by certain private players to help sustain our environment and gain profit both which has benefitted the investor as well as the ecosystem. Companies like TATA POWER and NTPC have made a difference to help and cut out harmful substances with more clean green energy.



6. GOVERNMENT INITIATIVES:

Private investment in physical assets, including infrastructure, holds the key to sustaining India's world-beating growth as fiscal room to boost spending remains limited. Investment has been on a decline for more than a decade as companies waited for durable demand and policy stability. This section discusses the government initiatives taken for a better implementation of private investments to elevate India's economic growth.

The Government of India has taken several initiatives across sectors to improve the overall economic growth in the country and they are listed as follows in chronological order:

- Government's initiative to strategize investment risks threatening India's renewable energy ambition
- On April 30, 2022, Minister of Ports, Shipping and Waterways, Mr. SarbanandaSonowal announced that Cochin Shipyard Limited has committed to invest an initial corpus of Rs. 50 crore (US$ 6.47 million) in start-up companies engaged in the maritime sector.
- India's production-linked incentive (PLI) schemes generated investment commitments of Rs. 2.34 lakh crore (US$ 30.24 billion). Automobile and auto components, advanced chemistry cell batteries, specialty steel and high-efficiency solar panels have attracted the maximum interest.
- The government is expected to invest Rs.1.20 lakh crore (US$ 15.5 billion) in the automobile industry in the next five years and Madhya Pradesh makes a potential destination for investment by the auto sector.
- The Ministry of Education (Moe) has proposed an outlay of Rs. 1,102.91 crores (US$ 142.57 million) for Punjab in FY 2022-23 under the flagship Samagra Shiksha scheme for school education.
- Minister of Home and Cooperation, Mr. Amit Shah inaugurated newly constructed tourism facilities for Seema Darshan at Nada bet in Banas Kantha district of Gujarat. The Gujarat government spent Rs. 125 crores on the same.
- The government is all set to invest Rs. 70,000 crores (US$ 9.05 billion) in projects in UP on June 3 to make UP the first choice of investors on all counts. This will include projects worth about Rs. 21,000 crores (US$ 2.72 billion) in the IT and electronics sector.
- Government approves investment of Rs. 19,077 crores (US$ 2.47 billion) for its textiles production linked incentive (PLI) scheme to 61 companies, including 7 foreign firms.
- Israel-based ISMC Analog Fab Private Ltd will invest Rs. 22,900 crores (US$ 2.96 billion) in Karnataka to set up a chip-making plant. India's first semiconductor fabrication plant is expected to generate more than 1,500 direct jobs and 10,000 indirect jobs
- In February 2022, the Union Minister for Finance and Corporate Affairs, Ms. Nirmala Sitharaman announced a new scheme, Development Initiative for North East 'PM Devine', allocating Rs. 1,500 crores (US$ 200.6 million).
- In February 2022, the Union Minister for Finance and Corporate Affairs Ms. Nirmala Sitharaman proposed to allocate Rs. 1,00,000 (US$ 13.37 billion) to assist states in overall investments.
- In January 2022, the cabinet committee on Economic Affairs approved equity fusion of Rs. 1,500 crores (US$ 200.6 million) in Indian Renewable Energy Development Agency Limited (IREDA).
- The Ministry of Finance has granted Rs. 7,309 crores (US$ 977.4 million) additionally to 11 states for undertaking reforms in the power sector in January 2022.
- Total of 115 firms submitted their applications for the Production Linked Incentive Scheme for the Automobile and Auto Component Industry.
- In January 2022, Union Home and Cooperation Minister, Mr. Amit Shah laid the foundation stones for 29 development projects totaling Rs. 2,450 crores (US$ 327.6 million) in Manipur.
- In January 2022, the government-sanctioned seven Mega Integrated Textile Regions and Apparel Parks with an investment of nearly Rs. 4,500 crores (US$ 601.8 million).
- On December 27, 2021, Prime Minister, Mr. Narendra Modi visited Mandi to inaugurate hydropower projects worth over Rs. 11,000 crores (US$ 1.47 billion).
- In the next five years, the Airport Authority of India plans to invest roughly Rs. 25,000 crores (US$ 3.34 billion) in the expansion and renovation of current terminals.
- In September 2021, the government approved a Production-linked Incentive (PLI) Scheme for the automobile and drone industries with an outlay of Rs. 26,058 crores (US$ 3.54 billion) to boost the country's manufacturing capabilities.
- In September 2021, Civil Aviation Minister, Mr. Jyoti Aditya M. Scindia, stated that the government plans to provide incentives of Rs. 120 crores (US$ 15.6 million) in the next three years under the PLI scheme for drones and drone components.
- In August 2021, the Union Cabinet approved an FDI (foreign direct investment) proposal of Anchorage Infrastructure Investment Holding Ltd., proposing an investment of Rs. 15,000 crores (US$ 2.04 billion) in India.

● In August 2021, the Indian government approved the Deep Ocean Mission (DOM) with a budget outlay of Rs. 4,077 crores (US$ 553.82 million) over the next five years.

REMARKS

The analytical data mentioned above states that the government has been robust in taking decisions and implementing the same. In recent years, the government has taken several initiatives as mentioned above in order to utilize private investments wisely and therefore benefit the country's economy. The success of these initiatives can be seen in India's continuous improved rankings .The success of these initiatives can be seen in India's continuous improved rankings and overall growth. It has been the consecutive year in the top 10, with only four countries on the list. The improvement in this ranking is mainly due to an increase in private investment, which has helped. This investment has helped in productivity, creates high paying jobs, increases competition, and is also building a stronger as well as a sustainable economy. The behavior of private investments in developing countries has obvious implications, both for long- term development and for the design of short-term stabilization programs.

7. Policy Recommendations:

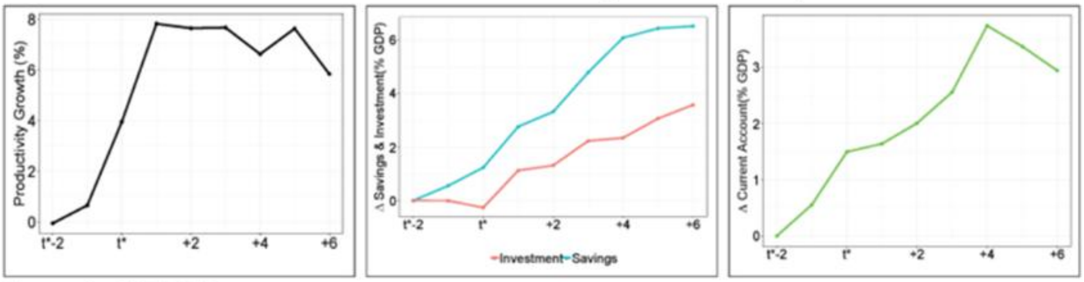
India's economy has done successfully during the past five years. The government has made sure that the advantages of prosperity and macroeconomic stability reach the base of the pyramid by creating a number of channels for trickle-down. India has to maintain an 8% real GDP growth rate in order to reach the Prime Minister's stated goal of having a USD 5 trillion economy by 2024–25. According to international experience, particularly from high-growth East Asian nations, such growth can only be maintained by a "virtuous cycle" of savings, investment, and exports that is catalysed and supported by a favourable demographic phase.

The "key factor" that drives demand, builds capacity, boosts labour productivity, introduces new technology, permits creative destruction, and creates jobs is an investment, especially private investment. Because increased savings rule out domestic spending as the primary driver of final demand, exports must be an essential component of the development model. Similarly, this positive cycle fuels the growth of jobs. Although it is frequently asserted that investment eliminates employment, this is only true when considered in the context of a particular activity. When the full value chain is considered, capital investment encourages job growth since it results in employment being created in the supplier chains, R&D, and capital goods manufacturing.

Importance of Savings

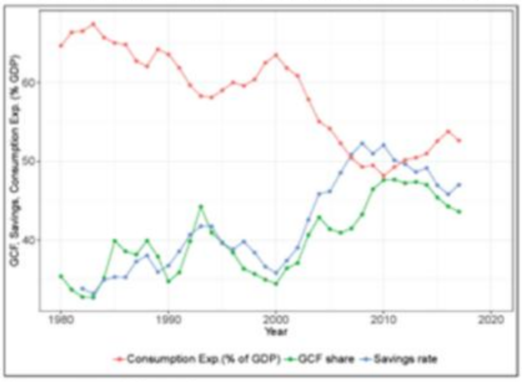
The private sector is crucial to economic development as well as poverty reduction, however, it can't and doesn't act by itself. The government plays a central role in supporting economic development and reducing poverty. It has to offer a policy that is good, powerful institutions and cost-efficient public goods as well as services to make certain the private sector is able to flourish as well as the advantages of progress access to all citizens. Along with building as well as prosecuting policies that promote growth, governments should also commit to creating as well as sustain the institutions which implement, oversee as well as regulate those policies. This's the enabling setting that encourages the private sector to commit. The great bulk of constraints to development displaying the private sector is directly connected to government choices as well as actions. The government's legislative choices and policies determine a significant scale as well as the quality of economic growth as well as the private sector's role in it. The unit of an open, export-oriented economy with a flourishing private sector provides developing nations the very best chance of improving prosperity as well as living requirements. The provision of public goods is actually a major determinant of the quality of life for communities and individuals and, hence, the attractiveness of a nation to private investment. It's in the government's interest to market development that benefits the poor. This not merely improves community stability, but it raises the capability of the very poor to contribute and thereby additionally boosts economic development.

Changes in productivity, investment, savings and current account across 62 episodes of growth accelerations in non-OECD countries (1960-2011)



Source: Sandri (2014)

Consumption, Gross Capital Formation and Savings to GDP for China (1980-2017)



Source: World Bank

Jobs

People worry that a high pace of investment will replace labour. This way of thinking has generated a lot of discussion concerning capital-intensive vs labour-intensive modes of production. China shows how a nation with the highest rates of investment also generated the most jobs. The most important factor is whether or not investment increases productivity and, as a result, global competitiveness. The misperception results from a perspective that is hidden inside the confines of a certain activity. The manufacturing of capital goods, research and development, and supply networks all result in employment creation when the entire value chain is considered.

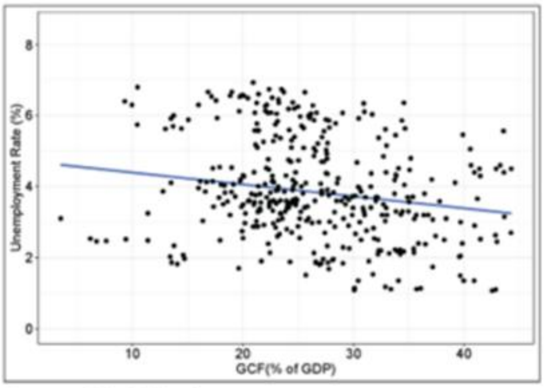
International data also implies that when high investment rates generate growth, capital and labour are complementary. For instance, it demonstrates how the advent of software and computers not only replaced some white-collar jobs but also created new labour-centric jobs in the fields of software and application development, computer security, and specialised jobs for loan application analysts and medical equipment technicians. The figure below provides more proof that labour and investment are complementary by demonstrating how unemployment rates in East Asia and the Pacific decline as gross capital creation increases. As a result, promoting investment can genuinely promote employment creation.

Exports

Domestic consumption can, at most, operate as a force multiplier when strong income growth fuels consumption since the proportion of consumption in GDP is capped by the high level of savings. So, from whence would the big capacity produced by heavy investment come in the end? Exports are the response. Therefore, every investment-driven development model must have an aggressive export strategy. For the East Asian nations experiencing rapid growth, the Figure below illustrates the significant association between export growth and GDP growth.

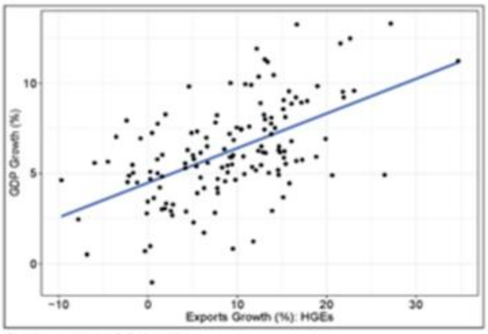
The capacity to make goods at the lowest possible cost allows companies to achieve market share in exports in the highly competitive global market. Therefore, economic business productivity on average becomes essential for export competitiveness. The performance of exports is improved by capital investment, as shown in Figure 11, which increases total factor productivity. Investment is therefore essential to improving export performance.

Unemployment Rate vs. Gross Capital Formation (GCF) to GDP for East Asia and Pacific (1960-2017



Source: World Bank

GDP Growth vs. Growth in Exports for High Growth East Asian Economies (1980-2017)

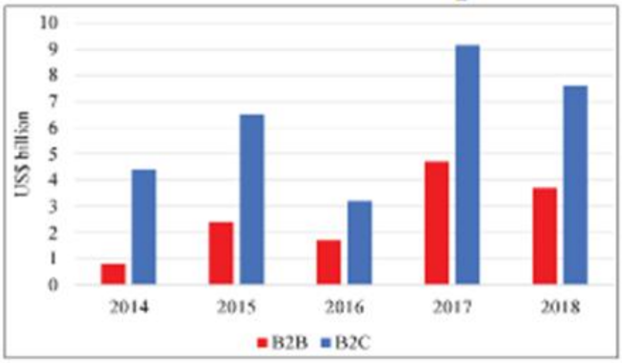


Source: World Bank

Note: Time period taken is 1980-2017 and High Growth East Asian Economies correspond to Indonesia, Malaysia, South Korea and Thailand.

An increasing number of local Indian businesses are creating solutions targeted at controlling and resolving urban difficulties. India is now ranked third in the world for the start-up ecosystem. 2018 was hailed as the year of food start-ups, despite the fact that the bulk of these is tech start-ups focused on e-commerce and consumer goods and services. Slowly but surely, B2C start-ups focused on improving public service delivery and boosting efficiency, whether in the trash, water, or energy, are starting to appear. Figure 25 emphasizes this point by showing how much more private capital is invested in B2C start-ups than B2B start-ups. For the virtuous cycle of investment, demand, exports, growth, and employment to occur, it is essential to keep building an environment for private investment, particularly in the new economy

Funding in B2C startups higher than in B2B startups



Source: Goyal (2019)

8.Concluding Remarks:

The private sector's role in encouraging a country's growth and economic development cannot be overstated. Private enterprises are the chief agents in creating employment, providing funds, building competitiveness and driving innovation - all essential instruments for growth.

The private sector in particular is known for its propensity to engage in entrepreneurial risk-taking, which is an essential component of the manner in which it converts investments into the production of wealth and revenue. This position takes on an even greater significance given the current circumstances, as concerns about economic development are being raised as a result of increasing unpredictability brought on by a global landscape that is undergoing fast change, particularly in emerging nations.

India has already entered the 37-year phase of its demographic dividend, which indicates that the growth of its population that is of working age would continue until the year 2055. The employment landscape is shifting rapidly, and 11-12 million young people enter the workforce every year; as a result, jobs need to be generated, and effective skills programmes need to be put into place. The private sector is absolutely essential to the process of overcoming this obstacle.

The private sector has strong ties to increased investments in education and vocational training in order to close skill gaps in the economy. This can be accomplished by facilitating skills and training programmes, forming partnerships with educational institutes and industry experts, and, most importantly, developing a workforce that is both future-ready and talented. In India, there are more than 900 universities and 39,000 colleges, of which 78% are run privately. In addition, the majority of large private companies have established in-house training and skills development programmes to assist in the development of the capabilities of younger workers in accordance with the requirements of the business.

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