

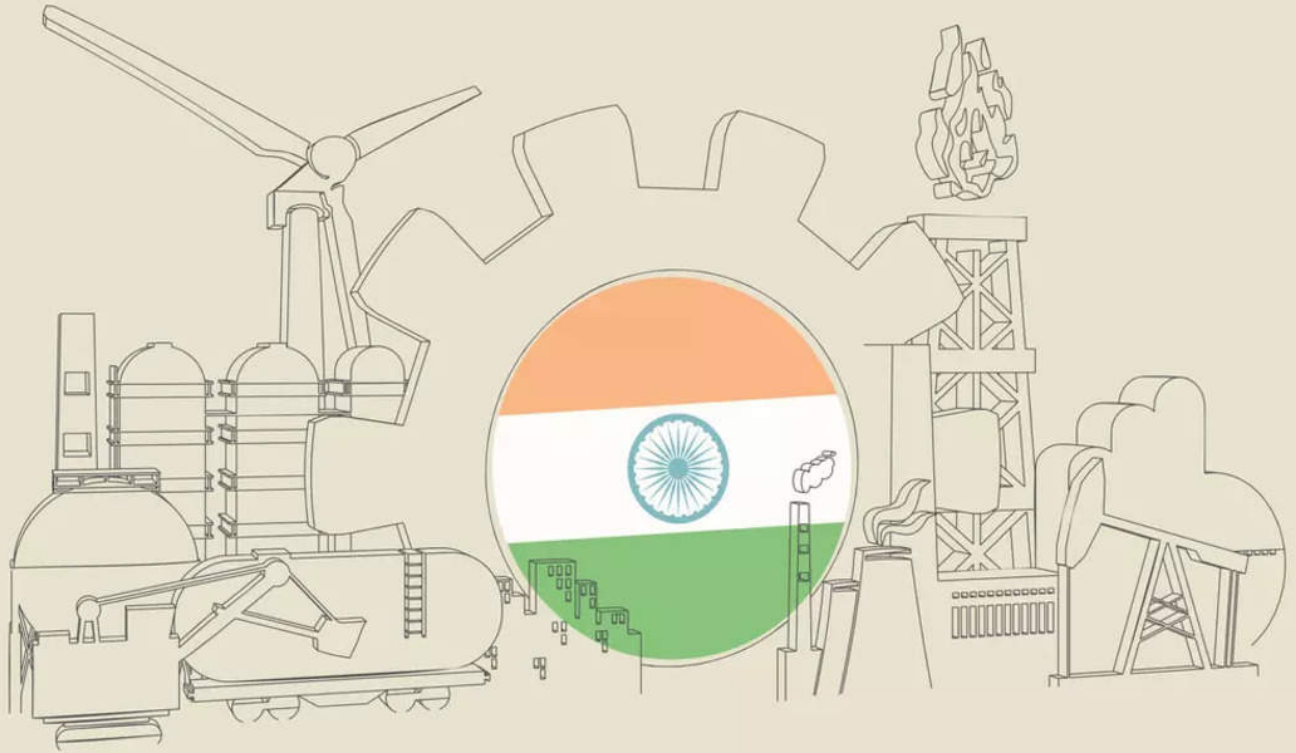
What is 'Hindu rate of growth' and why Raghuram Rajan's remarks may be 'premature'

By IASToppers | 2023-03-09 15:10:00



What is 'Hindu rate of growth' and why Raghuram Rajan's remarks may be 'premature'

Recently, the former governor of Reserve bank of India said India is “dangerously close” to the “Hindu rate of growth”.



[Ref: economictimes]

About Hindu rate of growth:

- The term '**Hindu growth rate**' was coined by late economist **Raj Krishna in 1978** to describe the slow growth in the country.
- It refers to the low pace of economic growth rates during **1950s to 1980s**.
 - During this period, the Indian economy averaged **3.5%**.
- If the rate of growth is persistently **slow and accompanied by low per-capita GDP**, then it will be known as **Hindu rate of growth** but it has to factor in **population growth** as well.
- This term never had universal acceptance.

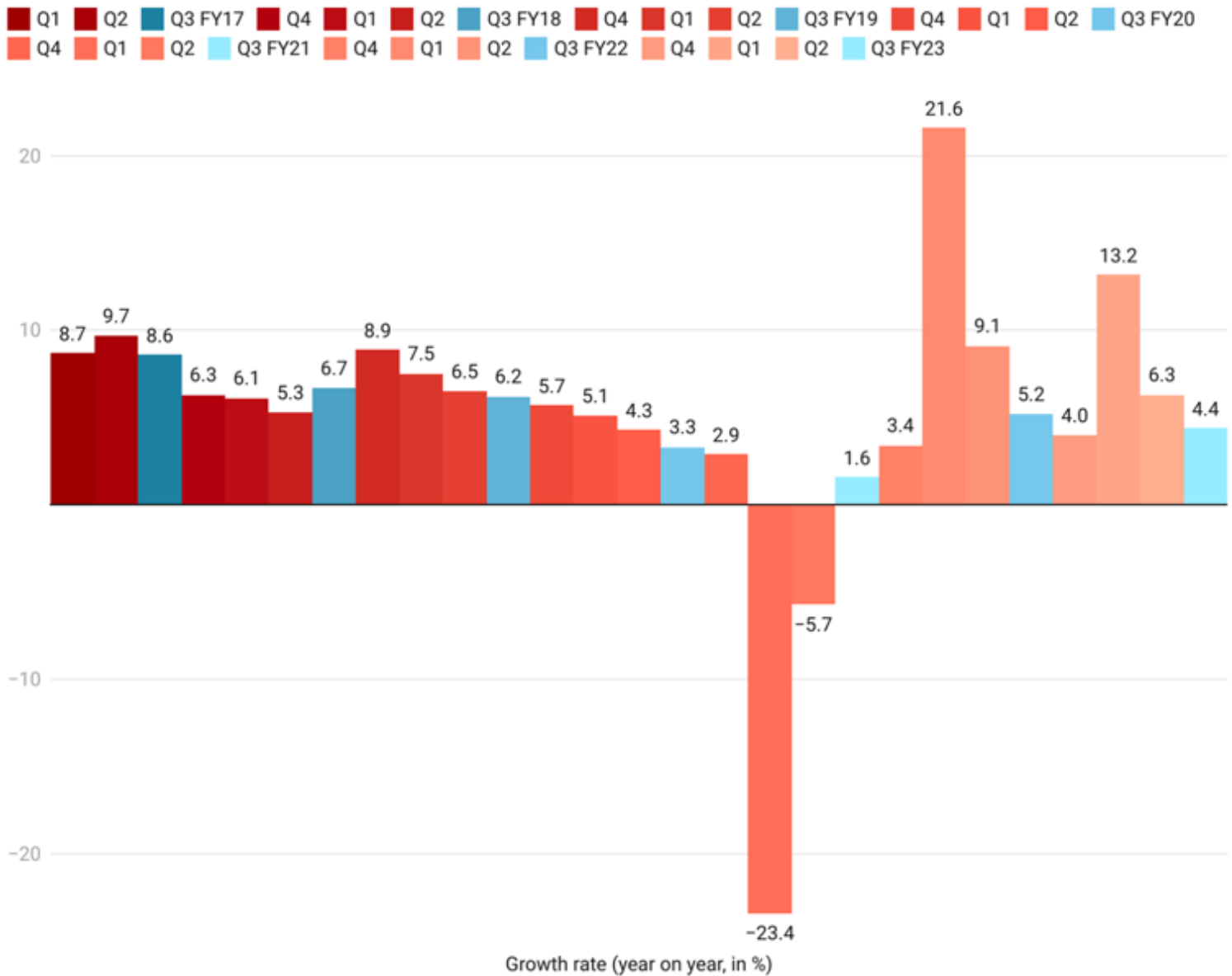
When did India outgrow the Hindu rate of growth?

- Before economic reforms of 1991, India's economic growth remained **stagnant and low**, while per capita income **averaged around 1.3%**.
 - However, the economic situation changed when liberalisation, privatisation and globalisation (LPG) reforms came into effect in the year 1991, at a time when India faced balance of payment crisis.

- It may appear that India's growth story turned a corner after the **reforms of 1991**.
 - However, the GDP growth rate data suggests that India started growing faster than the Hindu rate of **3.5%** long before the **crisis and reforms of 1991**.

India's growth rate in recent times

India's quarterly GDP growth rates: Fading away?



[Ref: IE]

- India will grow close to **7% in 2023** — that's **twice the Hindu rate of growth**.
- Above chart shows the quarterly growth rates, there is a distinct trend where growth rate tends to moderate quite considerably from one quarter to another.
- In **9 of the 14 quarters** (a period of three consecutive months) since **Q1 (April, May, June) of 2019-20**, India's GDP growth rate was **less than 4.5%**.
 - Some of the values that were **higher than 4.5%** have come primarily because of a low base effect.

- The new financial year 2022-23 brought fresh economic challenges in the form of **Russia-Ukraine war** that impacted almost all major economies of the world, **slowed the pace of growth**, pushed inflation to record highs.
 - As a result, the central banks of all advanced economies spurred into action and opted for **monetary policy tightening to curb the soaring inflation**.
- India's economy grew by **4.4% in Q3 of FY23**, as the Centre revised upwards GDP growth for previous year to **9.10% from 8.7% earlier**.