

## A COMPARATIVE STUDY OF INDIA AND CHINA ECONOMY

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**Abstract:** The monetary development of India and China has for sure been noteworthy; it has additionally been lopsided, for certain financial areas growing more quickly than others. Understanding the two nations' abilities for development requests a more intensive gander at which regions have developed which actually slack.

### OBJECTIVE

In the research paper, the following goals were investigated:

- To compare the economies of India and China.
- To assess the parameters for comparing economic developments.
- Determine India's reliance on China and vice versa.
- To provide an economic analysis report spanning the years 1980 to 2015.

### METHODOLOGY

The methodology section provides the tools and techniques used to investigate the research findings or solutions to the research problems. The researcher has used a secondary method for understanding the parameters that are essential for comparing the economic development of India and China. The secondary analysis gives an in-depth comparison of economic dynamics from the year 1980-to 2015.

### RESULTS

India outperformed in the scientific dimension, but science alone was insufficient to tip the scales of innovation in India's favor. China was judged to have a higher capacity for innovation and a competitive advantage in university-business collaboration. In addition, the country had an advantage in government purchases of high-tech products.

**Keywords:** India, China, Economy, GDP, Human Capital, Per Capita

### 1. INTRODUCTION

The economies of India and China have developed quickly over the recent many years, and it is generally acknowledged that these two arising monsters will change the worldwide economy in various ways throughout the next few decades. Notwithstanding the significance of these nations, their assets and shortcomings, the wellsprings of their development, and the missing fixings to support high development rates are not commonly known. Subsequently the primary meeting of the gathering, "India and China in the Global Economy", was given to give the dark foundation important to get what's going on in the two economies today and how they are probably going to advance from now on (Agrawal & Khan,2011). The monetary development of India and China has for sure been noteworthy; it has additionally been lopsided, for certain financial areas growing more quickly than others. Understanding the two nations' abilities for development requests a more intensive gander at which regions have developed which actually slack.

#### 1.1 BACKGROUND

China has set out on the course of having clashes with countless nations. There is the gamble of over-reach. India's situation in international strategy, conversely, is significantly more equanimous, with great relations with many (however not the entirety) of the regular accomplice. These distinctions recommend that the idea of 'viral persistence isn't simply living in fantasy land. There is motivation to expect that sometimes not too far off, India will have the monetary, business, scholarly, and social could to contend straightforwardly with China," it says. At present, the contrast between China's development and India's is huge, the paper says(Datta, 2008). "In ostensible terms, Chinese GDP is at \$14.9 trillion while India is at \$2.6 trillion. Communicated in similar PPP terms, China is at \$24.2 trillion while India is at \$8.7 trillion.

#### 1.2 LITERATURE REVIEWS

Li & Nair(2007), China started significant changes 13 years before India – and despite being phased in, the time benefit was significant. The motive for improvements was important; like in

China's scenario, the changes were implemented because the nation's leader wanted to transform the economy around and put it on a fast road to rapid expansion and progress. If it hadn't been for the creditors' demand, then India's changes in around 1991 wouldn't even have taken place—even not to the level that they did. The large inflow of Foreign Direct Exchanges (FDI) into China was a key role for the country's industrial revolution and increased competitive advantage. In comparison to India, which had limited Foreign direct investment (FDI) inflow in the 1980s and the Bombay Club actively fought to decline the foreign investment in the 1990s, the Indian government imposed focused measures to attract large levels of FDI.

Both nations had export-friendly regulations but China was more fruitful because of various US, European, Japanese, South Korean, and Hong Kong corporations that made investments in manufacturing facilities (Martine-Vazquez & Rider, 2006) . With the license raj era industry sector pushing to slow the country's comprehensive entry, India could almost be considered a viable contender. Moreover, as the gap between India and China grew, the price of declining and unwillingness remained to mount: while the price of India's exports was almost 2 - 3 times less in 1982, now it began about 6 times less in 2014, which is 3 times lesser.

The Chinese government invested heavily to upgrade the country's infrastructure – a powerful boost for growth and development. India did not match the effort, and it is telling that even by 2015 it ranked in the list of good quality of electricity supply.

China outpaced India in most of the sectors according to the World economic forum ratings from 2008 to 2015, indicating that this was executing better stable long-term strategies for the better technological environment (Acemoglu & Robinson, 2000).

As per the scientific discipline, India rated top, but China was able to build better fruitful ties among science discipline and economy discipline(Bosworth & Collins, 2008). However, it looks that the Chinese government leadership's dedication

toward the development was accomplished through a comprehensive strategy, which aims to strengthen the country's finance possibilities throughout critical areas.

The Indian political system has a lower obligation toward development, yet the financial outcome results show that the Indian measures are not as well organized and broad-based as those of China. Moreover, it must highlight the findings and the research mainly reflect a single period of time. India has ample chance to boost its socioeconomic output in the upcoming decades, to the point where it can compete with or maybe beat China (Dreze & Sen, 1999). Data taken from 2014 to 2015 indicates that India's GDP grew faster than China's, which could indicate that India has overcome the legacy of the permit raj and is on a fresh financial path.

### 1.3 RESEARCH GAP

In the present times, India and China are developing and emerging economies. India was richer than China back in the 1900s and both of them had a neck-to-neck GDP. There are different studies of comparative analysis for India and China. However here the researcher provides exclusively economic development dynamics from the year 1980 to 2015. The researcher would analyze the transition both the countries witnessed and how China took advantage of monopolies in the Indian Market. Here the Researcher has implemented methods to determine the parameters of economic growth and development for India and China. The study before and after conditions with evidence.

### 1.4 RESEARCH QUESTION

1. What are the different parameters to compare the India and China economies?
2. What were the Economic developments from the year 1980- to 2015 in India and China?

### 1.5 IMPORTANCE OF THE STUDY

In the year 2015, China ranked in the 2nd position and India ranked in the GDP position in the world's top largest Economy. The study provides a comparative economic analysis of India and China from the year 1980 to 2015. The phase witnessed a significant and remarkable economic transformation in both countries. Back in the time, India was richer than China. However, China surpassed India with innovation, technology, and invention. The study presents a lesson that we can learn from both countries. The study would aim to serve the tactics used by China to stand in the largest economic share in the world.

### 1.6 RESEARCH OBJECTIVES

The following objectives were studied in the research paper-

- To provide a comparative analysis of India and China Economy
- To evaluate the parameters for the evaluation of differences in Economic developments.
- To find out the dependency of India upon China and vice versa.
- To provide a report of Economic analysis from the year from the 1980s to 2015.

### ECONOMIC GROWTH AND DEVELOPMENT FROM THE YEAR 1980-2015.

GDP was one of the leading factors for comparing the economic dynamics of India and China during the 1980- and 2015. Other

### 1.7 SCOPE AND LIMITATION

The scope of this paper is it identifies the parameters and factors that determine the economic growth and development of India and China. Understanding the differences between data would help the reader get an insight into what a nation needs to do for economic development. The limitation of this study is that it had to study so many things from 1980-to 2015 to understand the economic scenarios.

### 2. RESEARCH METHODOLOGY

The Methodology Section provides the tools and techniques used in the research paper to investigate the research findings or solutions to the research problems. The researcher has used a secondary method for understanding the parameters that are essential for comparing the economic development of India and China. The secondary analysis gives an in-depth comparison of the economic dynamics of India and China from the year 1980-to 2015. The researcher has taken information using secondary methods from different sources.

### 2.1 RESEARCH METHOD AND DESIGN

The Researcher has used the Qualitative method in the study. The researcher provides a list of parameters and factors for comparing the economic conditions of India and China. The necessary data for this study will be collected through research of all the relevant articles related to the research question. The researcher uses a descriptive design and explanatory research design to highlight the measure findings.

### 2.2 RESEARCH APPROACH

The research approach is the blueprint of research methodology and design. The research approach includes a collection of assumptions that guide the research to meet the requirement of the research and show a direction to the research. Here, based upon the requirements of research problems, the researcher has undertaken a qualitative and secondary analysis to discuss in detail regarding the economic condition of India and China from 1980-to 2015.

### 3. ANALYSIS OF STUDY

#### Parameters for Economic development

Economic development occurs when the level of productivity exceeds the level of population increases, as well as the growth rate Of GDP, is sufficient to provide the people's basic requirements. The transformation of developing economies into developed economies is known as economic development like the transformation of low-income countries into high-income countries.

Economic development enhances economic growth and output (Jones, 2003). It improves the efficiency and productivity of all beneficial resources, as well as the amount of output. And it helps in national economic growth as it creates job opportunities which help to improve people's life quality. Economic development is important because it leads to a rise in per capita revenue, which raises a country's national revenue (Blanton, 1994). It also aids in improving an individual's efficacy rate by providing a high or optimal per capita salary.

than that central planning, industrial growth, and international trade dealing were also the major factors for considering the economic welfare of both nations.

Parameters	India	China
Poverty	<p>The percentage of people living below under \$5.50 each day at 2011 global prices is termed as the poverty headcount ratio(Harriss et al.,1995).</p> <p>India's rate of poverty for 2011 was <b>87.38%</b>, which is a <b>3.7% decrease</b> from 2009. for 2009 was <b>91.09%</b>, a <b>1.9% decrease</b> from 2004, for 2004 was <b>92.89%</b>, which is a <b>2.6% decrease</b> from 1993, and for India, the poverty rate for 1993 was <b>95.51%</b>, which is a <b>0.2% decrease</b> from 1987.</p>	<p>China's poverty rate for 2015 was <b>27.239%</b>, which decreased from <b>4.3%</b> in 2014. China's poverty rate for 2014 was <b>31.49%</b>, which is a <b>5% decrease</b> from 2013.</p> <p>China poverty rate for 2013 was <b>36.41%</b>, which is an <b>8% decrease</b> from 2012.(Veenhoven,2000)</p>
Per Capita Income	<p>India is the 5<sup>th</sup> largest economic country in the world; its GDP per capita in 2015 is 1,605.6 which is an increase from 1,449.6 in 2013. (current United States \$).Where India attended an all-time high of 9.64% in 1988 and lowest recorded of -5.25% in 1977(Cypher,2014).</p>	<p>China is the 2<sup>nd</sup> largest economic country in the world. The GDP per capita in 2015 is 1,606.6 which increased from 1,449.7 in 2013(current US \$). China attained a maximum height in GDP growth in 1970 of 19.29% and minimum GDP growth in 1961 of -27.28%.</p>

Chart 2. GDP growth dynamics (in %, by year)



Source: World Bank Databank, World Development Indicators

From the above estimation, China has witnessed a growth of 9.50% of GDP growth, i.e more than half percentage of the GDP of India 6.19% (Saxenian,2005). China has given tough competition to India in the last few years. India remains fairly close to China's GDP.

**ECONOMIC DEVELOPMENT FACTORS**

During the phase of 1980-2015, China was one of the pro-active exporters outstanding India with a large margin in the year 2009 it bagged the title of World's largest goods exporting country. In the case of India, the exports only increased by 40% compared to China. India faced tough competition from both developing and developed nations. India has remained behind to stand successfully in the export business.

**INTERNATIONAL BUSINESS**

China's net FDI during this time was around a dollar of 3.35 trillion which was 7 times greater than India's 490 billion. In

terms of FDI, The inflows of china increased over time, the difference in the inflow also increased between China and India. As India was not effective and active in International business, it could not create more FDI inflows to the nation.

**DOMESTIC PRIVATE SECTOR CREDIT**

Credit is one of the greatest sources of the economy that drives profit for the nation and contributes to the growth and development of the private sector and corporate sector. Back in the 1980 both India and China did not have well-structured and developed financial systems (Hausmann & Rodrik,2003). However, the present statistics show that China has again surpassed India in lending funds to the private sector. In 2015 Chinese Financial Institutions have easier financial terms and conditions for lending money to businesses and industries.

**HUMAN RESOURCES**

Category	Global Rank	
	China	India
Life expectancy	55	105
Malaria incidence	71	100
Tuberculosis incidence	87	99
Quality of primary education	34	80
Primary enrollment	5	94
Secondary enrollment	92	104
Tertiary enrollment	81	98
Internet access in schools	33	60

**Source:** WEF, The Global Competitiveness Report 2008-2009

The human capital comprises health, education, knowledge, and expertise. The human capital Index of China is more than half of the human capital Index of India. The comparison report of GCR 2008-2009 presents that China ranked well in categories - life expectancy, Malaria in incidence, TB, Quality of primary education, primary enrollment, secondary enrollment, tertiary enrollment, and Internet access in the schools.

Both India and China have seen improvement from 1980 to 2015. But China scored high in the human capital index for 29 years. With the time even though India was close enough to China, India has also witnessed so many improvements in health, education, and skill development.

**INFRASTRUCTURE**

Apart from well-being, the country's economic growth is based upon infrastructure development. The more good quality and advanced the transport system a nation has, the more economical it will be able to generate. India remained behind with 32 places than that of China in the global ranking. India in the year 2009 had the good quality of railways and airways but they remain behind with the quality of electricity supply. China has the best quality of ports and roads ensuring the chances of domestic and foreign trade affairs (Mukul,2011).

In terms of Infrastructure growth, China's rate of growth was 10% and India's was 6.3% in 2015.

**ECOSYSTEMS AND ADVANCEMENT**

A global market of around 200 countries is a challenging economic environment, and consequently, the innovation ecosystem is among the most critical components of a national economy's competitiveness. India beat China in terms of technical accessibility, but science just itself was not enough to tip the invention ecosystem indicator in India's favor. China was found to have a better capability for invention, as well as an advantage in university-business collaboration and significant government acquisitions of advanced tech items.

**4. RESULTS**

The poverty rate in India in 2011 was 87.39 percent, a 3.6 percent decrease from 2009. India is the world's fifth-most populous economy. Its GDP per capita in 2015 is \$1,605.6, up from \$1,449.6 in 2013. The poverty rate in China has dropped to its lowest level since 2009, according to the latest official statistics. India is the 5th largest economic country in the world; its GDP per capita in 2015 is 1,605.6 which is an increase from 1,449.6 in 2013. Where India attended an all-time high of 9.64% in 1988 and the lowest recorded of -5.25% in 1977. China attains a maximum height in GDP growth of 19.29% and minimum GDP growth in 1961 of -27.28%(Cypher,2014).China ranks 92 out of 189 countries and the value of the Human

Development Index (HDI) is 0.737. The reason behind the high human development is due to the life expectancy at birth being 76 years and the infant mortality rate is 11 in china per thousand. As per the HDI report of 2015 India's economy is "Medium Human Development". Literacy is defined as the ability to acquire the abilities of reading, writing, and arithmetic. The literacy rate remained stable over 15 years (2000-2015) and it is significantly increasing due to the implication of compulsory education for all people. During the 2001–2011 period, the census revealed that female literacy levels increased at a significantly quicker rate than male literacy levels.

China's net FDI during this time was around a dollar of 3.35 trillion which was 7 times greater than India's 490 billion. As India was not effective and active in International business, it could not create more FDI inflows to the nation. In 2015 Chinese Financial Institutions have easier financial terms and conditions for lending money to businesses and industries. China has again surpassed India in lending funds to the private sector. In 2015 Chinese Financial Institutions have easier financial terms and conditions for lending money to businesses and industries. Back in the 1980 both India and China did not have well-structured and developed financial systems. China has the best quality of ports and roads ensuring the chances of domestic and foreign trade affairs. India remained behind with 32 places more than that of China in the global ranking (Harriss et al.,1995). The more good quality and advanced the transport system a nation has, the more economical it will be able to generate. India outperformed in the scientific dimension, but science itself was not enough to higher a limit in India's favor in terms of intervention. China was shown to have a superior capability for invention as well as a significant benefit in university-business partnership. In addition, the country had an advantage in government purchases of high-tech products.

**5. CONCLUSION**

An examination of the monetary directions of China and India in the course of the most recent 40 years uncovers the tremendous capability of designated strategies for the financial turn of events (overall) and financial development (specifically). India and China had generally equivalent GDPs in the mid-1980s, and India had a higher GDP for each capital until 1990. China's significant changes started 13 years before India's, and despite the fact that they were carried out in stages, the time advantage was huge. In general, the impression is that the Chinese administration's obligation to development was acknowledged through a refined methodology that looked to work on the country's financial potential in every key region.



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