India’s strongest electoral mandate in 30 years was won by Narendra Modi in May 2014, promising to halt sliding economic growth, decrease inflation and create enough jobs for the young workforce of the country. He campaigned on promises to revive foreign investment, boost infrastructure, and cut India’s fiscal deficit target to 4.1 percent of gross domestic product by March 2015, by increasing tax revenues and partly privatizing some state-run companies. This paper is an attempt to take note of measures to revive global economy and ensure growth and prosperity, with special reference to the G20 Summit. Against the background of measures taken to revive world economy, the author has made an effort to outlines the impact of the current political scenario on the economy of India. The measures taken by the Government, the expectations of investors and its impact on revitalizing the economy in India.

1 Introduction

- The G20 has a significant role in ensuring that international and domestic economic policies work together to protect the global economy against future shocks. Restoring business and investor confidence requires addressing the issues that caused the global financial crisis and ensuring financial stability of markets. Since 2008, the G20 has worked to manage global economic and financial risks. Implementing these commitments will complement the G20’s growth agenda to ensure growth is strong and sustainable in the long term. In 2014, G20 members are building the resilience of the global economy by:
  - delivering on the G20’s financial regulation commitments in building resilient financial institutions, ensuring “too big to fail” institutions will not require financial support from government, addressing shadow banking risks and making derivatives markets safer;
  - modernizing the international tax system to keep pace with the changing ways people and companies do business;
  - reforming global institutions to ensure emerging economies have a greater voice and keep the institutions relevant;
  - strengthening energy market resilience by making global energy markets more efficient and transparent;
identifying how the G20 can help strengthen the global trading system, comprising the World Trade Organization and more than 400 free trade and sector-specific agreements.

The G20 summit will be held in November 2014 at Brisbane, Australia, where world leaders will meet to discuss on global economic issues to revive global economy. This summit will have countries that are not part of the G20 so that there will be a more global approach to the growth of the world economy. Against the background of measures taken to revive world economy, this study outlines the impact of the current political scenario on the economy of India. The measures taken by the Government, the expectations of investors and its impact on revitalizing the economy in India. Mr Modi has not only the capability to lead an Indian Renaissance but also to catalyse new economic strength throughout South Asia and create a bloc that could even grow, in the long run, to include the Middle East. The optimism fanned by Modi’s rise to power has already brought inflows of nearly $14 billion of foreign funds into Indian equities this year as investors are fully confident that his drive to cut red tape would revive stalled projects and encourage economic recovery. The World Bank ranks India a miserable 134th out of 189 countries on its ease of doing business index, which measures the difficulties faced starting a company, dealing with construction permits and other factors behind competitors like China or Indonesia. Without a boost to investment, the economy will continue to stagger. That means Modi will have to strip out red tape and streamline bureaucratic procedures to make it less burdensome for companies to invest and create jobs. On top of that, Modi will have to speed along improvements in the country’s strained infrastructure—from roads to ports to power—to bring down the costs and enhancing the efficiency of doing business. The “pro-business” government has facilitated the investment climate and boosted confidence, but more needs to be done to get back to a period of high growth and low inflation.

2 Objectives of the Study
1. To take note of measures to revive global economy and ensure growth and prosperity, with special reference to the G20 Summit.

2. To understand the impact of the recent change in leadership of the Indian Government and its effect on the economy of the country.

3 Methodology and Sources of Data
The study uses available published secondary data. The secondary data used consisted of reports from the Carnegie Endowment for International Peace, ratings by the international economic agency Standard and Poor, reports from the Confederation of Indian Industry, World Bank updates and various websites.

Building Global Economic Resilience: G20 Summit-Approaches To Revive World’s Economy Strategies to Stimulate Growth
G20 country growth strategies will contain a mix of macroeconomic and structural reforms at the domestic level that suit each country’s circumstances in areas with the greatest potential to lift global growth:

• **Increasing quality investment in infrastructure:** This will create jobs and boost economic growth and development. The G20 is focusing on finding ways to boost private sector involvement in infrastructure development.

• **Reducing barriers to trade:** Many products are made in one country and sold somewhere else. They cross national borders many times as they are created. Domestic measures to cut the cost of...
doing business and enhance the ability of countries to participate in global value chains can facilitate increased trade activity, fuelling economic growth.

- **Promoting competition.** Reforms to promote competition help economies become more productive and innovative and can bring prices closer to production costs, benefiting consumers and encouraging business to become more efficient.

- **Increasing employment.** More and better jobs mean a more productive economy, leading to improved livelihoods and increased economic growth.

- **Strengthening development** is an important part of achieving strong, sustainable and balanced growth and ensuring a more robust and resilient economy for everyone. According to the International Monetary Fund, emerging market and developing economies contribute more than two thirds towards global growth.

## 4 Current Economic Health of India

It is widely agreed that India needs to achieve economic growth levels of about 8 per cent to create enough jobs, with a population of more than 1.2 billion. The forecast for growth this year is only around 5.5 per cent, according to the Asian Development Bank.²

The ratings agency Standard & Poor³ altered its outlook on India’s credit market from negative to stable, two years after a downgrade. The move is fueling optimism for a revival of Asia’s third-largest economy.

India’s economy grew at an annualized 5.7 percent in the first quarter of this year, from April to June 2014, after staying under 5 percent growth for nearly two years, weighed down by high inflation, a weak rupee and a drop in foreign investment.

**The Prime Minister seeks to revive US investment in India**

Indian Premier Narendra Modi embarked on a five-day visit to the United States in September 2014, aimed at improving ties and showing an American audience that India is once again “open for business”.

While US goods and private services trade with India totaled 93 billion USD⁴ in 2012, according to Office of the US Trade Representative data, many analysts argue there is potential for much more given the fact that US foreign direct investment (FDI) flows into the South Asian nation have slowed down in recent years.

Milan Vaishnav⁵, expert in political economy at the Carnegie Endowment for International Peace, says that” more than anything, Prime Minister Modi - who was elected on promises to revive India's flagging economy - will seek to convey the message to an American audience that, once again, India is "open for business.” Given India's massive domestic needs, he adds, the country requires significant FDI inflows to meet its developmental requirements.

**Economic Ties with the US**

India is emerging from a two-year economic slump in which the country's annual Gross Domestic Product (GDP) growth rate remained below five percent⁶ per year - the worst performance in a quarter-century. The slowdown shook investors' confidence in India's growth model as it was fueled by severe governance failures, large-scale corruption scandals, and numerous self-inflicted policy missteps - on tax and foreign investment, in particular.

Beyond the US private sector, Modi is keen to cultivate ties with the US government in sectors such as energy, higher education, and defense where the US has technical expertise and technology that can help bolster economic growth in India.
5 Positive climate for foreign investment in India

Modi arrived in New York with a delegation of Indian business leaders and some of the world’s wealthiest billionaires, like oil, gas and manufacturing tycoon Mukesh Ambani. His focus was on attracting American investment and business partnerships to India to create jobs there.

A lot of Indian businesses and entrepreneurs recognise the fact that as China keeps going up the value chain there could be potential to make a lot of competitive products in India. A revived Indian economy could become a valuable partner to the U.S. as China becomes more assertive in trade policy.

The success of the campaign, dubbed “Make in India,” will depend on the quality of infrastructure like power lines, highways and ports that are built to support a manufacturing hub.

Role of the US in the Indian economy

Whatever investment that does eventually flow from the United States will largely come from the private sector. And that, at the end of the day, will flow (or not) to India on the basis of the business climate and the availability of attractive investment opportunities.

Where the United States can perhaps play more of a role is in the realm of technology, in areas such as green technology, defense, higher education, or on “smart cities” - another of Modi’s top domestic priorities

Expectations of the US Industry

US businesses essentially expect three things:

First, US companies expect that the Modi government will provide a strong, stable macroeconomic framework in which it invests in growth, addresses persistently high inflation, and reduces its twin fiscal and current account deficits.

Second, the US business community is counting on the new government to improve India’s investment climate, whose reputation was badly tarnished by recent protectionist measures, policy blunders - such as the retrospective taxation of cross-border mergers and acquisitions - and endless bureaucratic red tape.

Finally, US businesses want the new government to alter India’s legal and regulatory framework so that it is more attractive to foreign capital. This includes lifting caps on FDI investment in critical sectors, reducing barriers to trade in goods and services, and offering US firms greater assurance on the sanctity of intellectual property rights.

Future hopes for Indo-US economic ties

The Indian PM's visit provides an opportunity to improve bilateral ties which have seen some irritants over the past years, including the revocation of Modi’s visa after the 2002 Gujarat riots where more than a thousand people - many of them Muslims - were killed, and, more recently, the spat over the arrest of an Indian diplomat in the US and India's refusal to sign a global trade deal.

The outlook depends in great measure on how successfully the Modi government fulfills its mandate to restore India’s economic dynamism. In many ways, the trajectory of US-Indian economic ties follows India's GDP growth rate. When growth is buoyant, many of the irritants in the relationship do not necessarily disappear, but they move to the periphery. During an economic downturn, such as the one India is now hopefully emerging out of, these irritants move front and center.

6 Challenges for revival of the Indian Economy

The main constraints on India’s rating are its low wealth level per person, meaning a low tax base to carry a debt burden. India also has a lower degree of policy flexibility due to a shortage of infrastructure and basic government services. But to its credit, India has relatively little external debt
and its central bank in recent years has rebuilt its foreign currency reserves\(^7\) to cover five and a half months of payments to foreign lenders.

### 7 Measures Recommended

The government has to move on all three fronts - macro stability, investment climate, and legal/regulatory framework - to help boost foreign investment. There are numerous discrete actions that the government could undertake in each of these areas. For instance, it could further remove barriers to FDI in sectors such as insurance and defense.

It could take stronger steps to bury the issue of retrospective taxation. One important component of a welcoming investment climate is a judicial system that can adjudicate disputes or enforce contracts in a timely manner, which is lacking in India with the shortage of judges and increasing backlog of legal cases.

### 8 Conclusion

The World Bank’s India Development Update of October 2013 says that although the recent turmoil in global markets has amplified India's macroeconomic vulnerabilities, the country's growth potential remains high. The report says that India’s macroeconomic environment is expected to improve, with growth likely to accelerate gradually over the next two years. Economic activity is expected to pick up in the second half of FY 2014, although the speed of economic recovery could be impacted by the country’s present vulnerabilities–high headline inflation, an elevated current account deficit, and rising pressure on fiscal balances from the depreciation of the rupee. Nonetheless, core inflation is trending down, a bumper crop is expected in agriculture, and exports are likely to benefit substantially from the rupee’s depreciation. However, with the currencies of many other emerging economies weakening against the dollar, lasting improvements in export competitiveness will require policy efforts to fully take advantage of the emerging global opportunities.\(^8\)

If India can return to something like 6 to 7 percent annual GDP growth, the fiscal deficit might correct itself because tax revenues will become buoyant. Indeed, this happened during the boom years between 2002 and 2007, when the overall fiscal deficit declined from nearly 10 percent of GDP to 4 percent. An effective regulatory and legal framework is indispensable for the proper and sustained growth of business. In a rapidly changing national and global business environment, it has become necessary that regulation of corporate entities is in tune with the emerging economic trends. It must encourage good corporate governance and enable protection of the interests of the investors and other stakeholders.

### References

3. [www.ustr.gov › Countries & Regions › South & Central Asia](http://www.ustr.gov › Countries & Regions › South & Central Asia)
4. [carnegieendowment.org/](http://carnegieendowment.org/)
6. [timesofindia.indiatimes.com › Business](http://timesofindia.indiatimes.com › Business)