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ECONOMIC GROWTH COMPARISON OF TWO ASIAN GIANTS INDIA AND CHINA

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Abstract: **This paper focuses on two of the largest Asian countries, India and China, which are experiencing rapid growth in recent time and which is measured through growth analysis. China has already surpassed many big countries and has become the second largest economy in the world after United States of America. Consistent check over the capital Stock and employment rate using appropriate data and updated national accounts of both the giants are incorporated. These values and results give us a clear picture about the growth and help us to study both countries in terms of potential growth and economic shifts that occurred over the recent time. Our study aims to compare both the countries, knowing India is third of china's size, nevertheless also understanding that both the countries are fastest growing economies. Factors that are looked upon are GDP, GNP per capital, taxations, challenges faced, infrastructure and so on.**

Keywords: **Economic comparison, Asian giants, growing economies, GDP of India and China, India, China.**

1. INTRODUCTION

India and China together constitute for nearly one third of the world's total population. Both are very large geographically. In both countries, growth has accelerated due to trade liberalization and market oriented structural reforms (Herd and Dougherty, 2006). But reform started much earlier in China compared to India. Both countries economic growth has been fueled by their willingness to act quickly to lower their trade barriers and attracting more foreign direct investments. A huge contribution in their growth also goes to the service providing industries. In spite of facing different political, economic and social issues, both the countries have emerged as powerful economic sources. While China has been busy in managing overheating economy, India is raging to compete for multinational corporation capital flows (Sun, 2004).

2. LITERATURE REVIEW

Bosworth and Collins (2008) in their paper have compared both the countries based on three different sectors of economy: Agriculture, Industry and Services. Both the countries benefited from the Green Revolution. In the late 1990s, the growth in China was fueled by devolution of administrative powers to local governments, greater autonomy for state owned local enterprises and introduction of market incentives (Bosworth and Collins, 2008). According to their research, China has shown a very rapid growth in its agricultural sector through substantial increases in per capital worker and rates of total factor productivity growth. But in India, employment growth in this sector has been somewhat slow. The industrial sector differs dramatically in size between India and China (Bosworth and Collins, 2008). It accounted for about half of GDP in China but in India, it has remained below 30 percent. But when it comes to Services sector, India has shown much more growth in it compared to China. Rate of improvement in output per worker exceeds 5% annually for India whereas for China, its steady at 5% (Bosworth and Collins, 2008). According to Naseem (2017), China's semi-capitalist economy has already surpassed the economies of France, Germany and Japan to become the 2nd largest economy after USA. China has become the world's manufacturing hub because of economic reforms introduced in 1978. When comparing both the countries, Naseem (2017) noted that average Chinese worker produces 1.6 times more than that of an average Indian worker. A comparison of econometric parameters shows that the compound annual growth rates of exports, imports and GDP per capita have been better in China than India (Naseem, 2017). Sun (2004) in her paper looks at China's growth and accounts manufacturing for it while she accounts India's services capabilities for its growth. When it comes to international trade, China being the manufacturing-based economy has a slight advantage over India which is a service-based economy (Sun, 2004).

3. CONTENT

There are plenty of studies that are done in order to understand and compare the economic growth of both the countries. China has population of 1371.22 million people whereas India has 1,311.05 million, but India has young generation. It is a known fact that China, who experienced a sudden surge of growth, has brought it to the 2nd place in terms of economy. China is one of the world's largest manufacturing hub, whose secondary sector represented the largest share of GDP. The slowdown of China can be predicted by its reduction in export demand chart and investment flow decline. Manufacturing is the main reason of China's growth which when seen in India, its manufacturing sector has multiple issues. When it comes to infrastructure in past decade India was better than China, but in present world china is much ahead of India. China spends more on economic infrastructure then USA and Europe combined. Infrastructure has played very important role in making China one of the world's best. When Human Development index is considered China stands above India with china ranking 86 and India ranking 130 out of 189 countries, efforts are made in order to improve India's position but it's still comparatively much behind china.

In terms of Innovation index which involves country ability to do activities like: (1) Institutions, (2) Human capital and research, (3) Infrastructure, (4) Market sophistication, and (5) Business sophistication. Two output pillars capture actual evidence of innovation outputs: (6) Knowledge and technology outputs and (7) Creative output, China is much greater than India. We use few simple framework in order to understand the factors that affect the growth of India and the reason why is it behind China. The framework highlights that growth of GDP is directly proportional to the growth of labour productivity. In India, due to fall of employment rate productivity grew faster than income. Overall, the factors that determine income growth is the growth in labour productivity not only in India and China but also in most Organisation for Economic Co-operation and Development (OECD) countries. The growth of labour productivity is the major long term determinant of difference between economic performance between India and China. India is heading towards growth by implementing many rules and policies which will not only make them stronger but also is making it a threat to other big countries where as China is finding it hard to maintain its status even after being very developed because of several issues.

4. CONCLUSION

The Comparison between India and China leads to the insight that Capital Information is the key behind the growth of their economies rather than growth of their total factor productivity. There is a lot of difference between the two countries' economy and as well understood over the last decade, higher capital formation in China is responsible for approximately three quarters more growth as compared to India. Looking forward, it seems unlikely that China would be able to maintain its economic growth due to several issues. China is likely to be afraid of India's growth and growing economy. India has also introduced policies to improve their overall development such as total factor productivity, employment, mobility and so on. It is evident that China has invested in health, education, gender equality and so on leading to greater success rate. On the other hand, India being education and health policy friendly can benefit from its interest if given the right guidance and if polices to increase literacy and reduces poverty is made along with more awareness about health and healthy lifestyle.

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