



# SIMSETT Eco Bulletin

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## Quick facts about the Indian Economy

- There were a total of 44 Merger and Acquisition (M&A) deals worth US\$ 4,083 million in July 2016.
- India ranked second with 128 points in the June quarter in Nielsen's global consumer confidence index. The country's confidence score was 134 in the three months ended March 2016, up by three index points from the last quarter.
- Industry accounts for 28 per cent of the country's GDP and employs 14 per cent of the total workforce. India is 11th in the world in terms of nominal factory output according to the CIA World Factbook.
- India is one of the fastest growing retail markets in the world. One of the top five retail markets in the world by economic value, the retail industry is estimated to be \$450 billion.

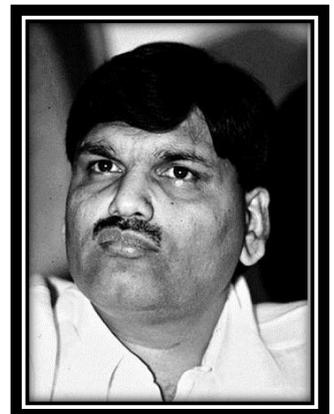


## History Snippet

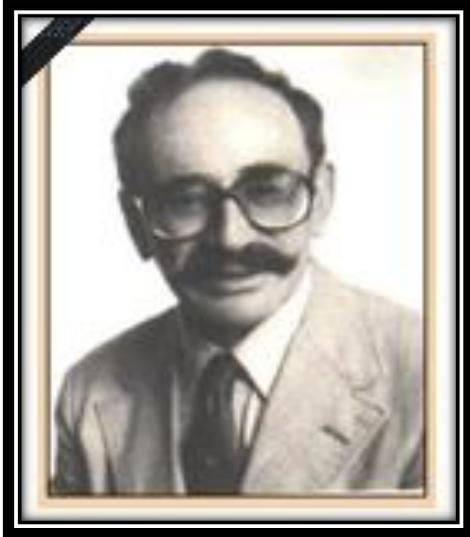
The year **1992** will go down in the history of India as the year of the stock market scam. Harshad Mehta, a broker known for his rags-to-riches story and a poster boy for many investors, had used receipts of public sector banks to manipulate stock prices.

Mehta siphoned off around Rs 1,000 crore from the banking system to buy stocks on the Bombay Stock Exchange. As he pumped in money, the markets continued to achieve new highs. Retail investors took cues from what Mehta was buying and followed in the footsteps of the 'Big Bull'.

In the period between April 1991 and April 1992, the Sensex went into a frenzy and returned 274 percent, moving from 1,194 points to 4,467. That is the highest annual return for the index.



# Harvey Leibenstein



Economist

Born: 1922

Birthplace: Yanishpol, Ukraine, U.S.S.R.

## Biography:

Having immigrated to Canada as a child, he attended Northwestern University to study economics then went on to teach at Illinois Institute of Technology, Princeton, and the University of California at Berkeley. He taught at Harvard (1967–89), during which time he published his best known work in economic theory, *Beyond Economic Man* (1976), which extends traditional productivity factors to include managerial skill and labor relations. Other publications include *Economic Backwardness and Economic Growth* (1957).

## Leibenstein Critical Minimum Theory

According to Prof. Harvey Leibenstein the overpopulated and underdeveloped countries are characterized by the vicious circle of poverty. They have low per capita income. His 'theory of critical minimum effort' is an attempt to provide a solution to this economic problem. According to him, critical minimum effort is necessary to achieve a steady economic growth raising per capita income.

*"In order to achieve the transition from the state of backwardness to the more developed state, where we can expect steady secular growth, it is necessary, though not always sufficient condition, that at the same point or during the same period, the economy should receive a stimulus to growth that is necessary than a certain critical minimum size" -Leibenstein.*

The main idea of the theory is that economic growth in the underdeveloped and overpopulated countries is not possible unless a certain minimum level of investment is injected into the system as a consolidated dose that pulls the system out of doldrums. This minimum level of investment is called 'critical minimum effort'.

## INTERESTING ECONOMIC UPDATES!

1. Remaining one of the fastest growing economies, India is projected to see a growth of around 7.5% in the current financial year even as the world economic growth is "stuck in a low-growth trap", says OECD.



2. China's economy is slowing down much more than the official figures show and a calamitous "hard landing" of the world's second largest economy is the greatest threat to global economy, former IMF chief economist Ken Rogoff has said. As per official figures, China last year slipped to 6.9 per cent from and the government has fixed the target between 6.5 per cent to 7 per cent for this year.
3. Minister for External Affairs Sushma Swaraj declared at UNGA that terrorism is the greatest crime against humanity as it targets innocent people. She raised the perennial problem that India faces of Pakistan actively supporting players in the terror spectrum who operate in India with funds and also training and ammunition. She pointed out that Pakistan's speech at UNGA pointing fingers at India, is akin to people who live in glass houses throwing stones at others.



4. New RBI Governor, Urjit Patel, in his first meeting with "outsiders" has said that inflation is not a major cause for concern. Instead, he has shifted the focus on the growth of the economy. Even if interest rates are not lowered in the October 4 monetary policy — as the outcome would now depend on the decision of the newly constituted six-member Monetary Policy Committee (of which Patel is a member) — the central bank is likely to maintain a dovish and accommodative stance on interest rates and liquidity.

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**"Years ago, I noticed one thing about economics, and that is that economists didn't get anything right."**

**-Tassim Nicholas Taleb**

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THANK YOU