



* Pre-Independence Period [1850-1947]

- Indian Economy was prosperous and Self-Reliant.
- It controlled between $\frac{1}{3}$ and $\frac{1}{4}$ of world's wealth.
- Agriculture was dominant occupation.
- Highly skilled artisans and craftsmen.
- Well-known handicraft Industry.

• Ancient Economic Philosophy of India

→ Kautilya (Chanakya) → 'Arthashastra'

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[321-296 BCE]

→ Arthashastra is the science of 'Artha' or material well-being which is primarily "wealth" and secondarily "Land".

→ Ancient period of British Rule can be divided into:-

- (a) Rule of East India Company (1757-1858)
- (b) British Government (1858-1947)

→ The Indian Exports of finished goods subject to heavy tariffs.
→ Import from British were subject to lower tariffs.

→ Discriminatory Tariff Policy.

→ Large scale unemployment and absence of alternative sources of employment which forced many to depend up Agriculture.

- Sub-division and Fragmentation of land holdings
- Import of cheap machine-made goods from Britain.

- Zamindari System also prevailed (land settlement system)
- High Indebtness of agriculturists.
- Factory-based production did not exist till 1850.
- At the end of 19th Century, the Indian Tex Mill Industry was the largest in the world.
- In addition → paper milling, leather making, jute milling industries also developed.
- Heavy Industries such as Iron Industry were established in 1814 by Britishers.

Post-Independence Period [1947-1991]

- Literacy Rate was around 18%
- Life expectancy was 32 years
- India adopted Nehruvian Model which supported social and economic redistribution.

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[Economic growth by Equity and Distributive Justice]

→ 5 Year Plans were developed and monitored by Planning Commission.

→ 1948 :- 1st Industrial Policy Resolution

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[expanded role of Public Sector & licensing for private sector]

→ The policies in 1950s were guided by two economic philosophy :-

- (a) to build socialistic society with emphasis on heavy industries.
- (b) The Gandhian philosophy of small-scale and cottage industries.

→ 1956 :- 2nd Industrial Policy Resolution

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[private investments were discouraged
and more focus on Public Sector
Investments]

→ India followed Open Foreign Investment Policy and relatively open Trade policy.

→ BOP crisis emerged in 1958 [Import > Export]

→ Import controls were maintained fill 1966.

→ From 1950-1980, India's Annual Growth Rate of GDP was 3.5%.

⇒ 'Hindu Growth Rate'

→ 1966 :- Green Revolution (HYV Seeds)

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[High Yielding Variety Seeds]

→ Due to food shortage, India had to depend on U.S for food aid.

→ 1969 :- 14 Banks were nationalised.

1980 :- 6 more Banks were nationalised.

→ The performance during 1965-1981 was WORSE

→ During 1960s and 1970s, there were License Raj.

→ Major droughts were there in 1966 and 1967.

and Oil Shocks in 1973 and 1979.

→ 1969 :- The Monopolies and Restrictive Trade Practice Act, 1969
[MRTP Act]

→ Stringent labour laws → It discouraged labour intensive technique.
↓
(Haush)

* The Era of Reforms (1980s)

→ The Annual Growth Rate of GDP during 1980 to 1985 and 1985-1990 were 5.7% and 5.8% respectively.

→ 1980s reforms broadly covers three areas :-

- Industry
- Trade
- Taxation

→ In 1985, delicensing of 25 Industries was done.

→ The facility of Broad banding was accorded for industries i.e allow flexibility and rapid changes in their product mix without any fresh license.

→ The multi point excise duty were converted into modified Value Added Tax (MODVAT)

→ 12th April 1988 : Establishment of SEBI

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Securities Exchange Board of India

→ Several export incentives were introduced.

→ The rupee was devalued by 30% from 1985-86 to 1989-90.

→ Budget for 1986 introduced policies of cutting taxes, liberalising imports and reducing tariffs.

• The reforms in 1980s were limited in scope and thus bigger reforms were organised in 1990s.