

CH 10

INDIAN ECONOMY

- Between 1st and 17th century AD India is largest economy of ancient and medieval world.
- $\frac{1}{3}$ and $\frac{1}{4}$ of world's wealth
- Agriculture was dominant occupation
- Earliest known treatise(document) is "Arthshashtra" by Kautilya Chanakya
- Genre of this book is political philosophy
- Rule of East India Company 1756-1858
- Rule of British government 1858-1947
- Cotton milling business grew in second half of 19th century
- Cotton mill industry in India had 9 million spindles in 1930s, India globally 5th position in terms of numbers of spindles
- At the end of 19th century, Indian Jute mill industry was largest in the world
- Iron industry established in 1814 and India's iron industry was ranked 8th in the world in terms of output in 1930
- The share in NDP of manufacturing sector reached 7% in 1946

- The share of factory employment in India was small 0.4% of population in 1900 and 1.4% in 1941

1947-1991

- Literacy rate above 18% and 32 years expected life in 1951
- First 5 year plan ---> 1951
- Rapid industrialization of economy was cornerstone (most important) of nehru's development strategy
- Industrial Policy Resolution ---> 1948
- Government granted state monopoly in areas such as Atomic energy, Arms & ammunition and Railway
- In 1950-80 India's GDP referred as "Hindu Growth Rate" at 3.5%
- Two consecutive Droughts (ଓଡ଼ିଶା) struck India in 1966 and 1967
- India had to depend on US for food under PL480 (Public law)
- Government nationalized 14 banks in 1969 and other 6 in 1980
- 1965-81 worst economic performance of independent India's history
- Monopolies and Restrictive Trade practices [MRTP] Act ,1969
- Policy of reservations of many products for exclusive manufacture by small scale sector in 1967

- Early liberalization ---> 1981 to 1989
- Average growth rate of GDP during 6th plan period (1980-85) is 5.7% and 7th plan period (1985-90) is 5.8%
- Early reforms of 1980s covered three areas largely Industry, Trade, Taxation
- SEBI Established 12 April, 1988 and got statutory recognition in 1992
- Based on REER Rupees depreciated by 30%
- July, 1991 Government devalued Rupees between 18% to 19%

REFORMS OF 1991

- Economic reforms 1991 under PM Narsimha Rao and FM Manmohan Singh
- Foreign exchange reserve lowest at \$1.2 billion sufficient for 2 weeks of import
- LPG 2 major objective
 1. Reorientation of economy
 2. Macroeconomic stabilization
- SLR and CRR related recommendation in Narasimhan Committee Report, 1991
- New industrial Policy---> 24 July, 1991
- Highest tariff rate was 355% in 1980-91
- 1st time floating/unified exchange rate allowed in March, 1993

- In financial year 2021-22 level of debt is 86% of GDP and overall Average in world is 64.5%
- 1 January, 2015 Planning commission was replaced by National Institution of Transforming India (NITI) Aayog

KEY INITIATIVES OF NITI AAYOG

- **LiFE** ---> encourage people's lifestyle that synchronize with nature
- National Data Analytics Platform (NDAP)
- **SHOONYA CAMPAIGN** to improve air quality in India

PRIMARY SECTOR

- Agriculture is largest source of livelihood in India till the end of 1960s
- India emerged as **world's largest** producer of milk, pulses, Jute and spices
- **Second largest** producer of fruits, vegetables, tea, farmed fish, Cotton, sugarcane, wheat, rice and sugar
- Indian food and grocery market is 6th largest in world
- World's largest cattle herd(buffaloes)

- 47% of India's population is directly dependent on Agriculture
- Gross value added by Agriculture was 18.8% In 2021-22
- Minimum support price (MSP) is fixed at 1.5 times
- India is among Top 10 exporters of agricultural products in world
- Agricultural and Processed Food Export Development Authority (APEDA) taken responsibility of Export promotion of agri products
- India allowed 100% FDI in marketing of food product in E-commerce too
- Income support ---> PM Kisan
- Pradhan Mantri Fasal Bima yojana (PMFBY)
- Paramparagat Krishi Vikas yojana (PKVY) promoting organic farming
- Per Drop More Crop (PDMC) to increase water efficiency
- E-NAM pan-India electronic trading portal for APMC mandis

SECONDARY SECTOR

- 30% of total gross value added
- Share of informal sector in the economy is more than 50% of GVA
- Manufacturing sector accounts for 78% of total production

- January 31, 2023 Manufacturing Purchasing Manager's Index (PMI) in India stood at 55.4%
- India's rank in Global Innovation Index (GII) improved 40th in 2022 from 81st in 2015
- The Department for Promotion of Industry and Internal Trade (DPIIT)
- GST on 1st July, 2017
- India ranks 63rd in the World Bank's Doing Business Report (DBR), 2020
- FAME-India scheme (Faster adoption and Manufacturing of Hybrid and electronic vehicle)
- PM Mega Integrated Textile Region and Apparel (PM MITRA)
- Foreign Investment Promotion Board (FIPB) abolished in May, 2017 and replaced by Foreign Investment Facilitation Portal (FIFP)
- In last 5 years FDI increased by 39%
- The National Manufacturing Policy aims to increase the share of manufacturing in GDP to 25% by 2025
- India received a total FDI inflow of US\$58.77 billion in 2021-22

TERTIARY SECTOR

- India has unique growth shift from Agriculture to the service sector
- Service sector refers to industry producing intangible good
- Service sector is largest sector of India & accounts for 53.89% of total India's GVA
- The service sector is fastest growing sector in India and has highest labour productivity
- India is among the top 10 WTO members in service Exports and imports
- The Indian services sector is the largest recipient of FDI inflows & 60% of total FDI equity inflows into India
- The World Investment Report 2022 of UNCTAD places India as 7th largest recipient of FDI in top 20 host countries in 2021
- In 2021-22 India received highest ever FDI inflows of US\$ 84.8 billion
- Government allowed 100% FDI in telecommunication service
- FDI ceiling in insurance increased from 49% to 74%
- Real GDP of India grew by 6.3% in July-September of 2022-23

