CH:10 Indian Economy. (7-10 Marks)

Pre Independence Era (1850-1947)	Post independence 1947 to 1991	1980's reforms	1990's reforms (LPG)	Post Reforms (1991 onwards)	Niti Aayog	Current Status.

1. Pre Independence Era (Period) (1850-1947)

→ Indian Economy was prosperous and self-reliant.
→ It controlled between $\frac{1}{3}^{rd} + \frac{1}{4}^{th}$ of ~~words~~ world's wealth.
→ Agriculture was ~~dom~~ dominant occupation.
(ज्यादा तर खेती बाड़ी में occupy थे)
→ Highly skilled artisans & craftsmen.
→ Well known Handicraft industry.

* Ancient Philosophy of India.

chanakya "Arthashastra"

→ Arthashastra is the science of "Artha" or "material wellbeing", which is primarily "wealth" & secondarily "the land" जमीन
संपत्ति

→ The ancient period of British rule can be divided into:-
a). Rule of East India Company. (1757 to 1858) व्यापार करने के बहाने से |
b). British Government. (1858 to 1947) and then India पे कब्जा !

→ The Indian exports of finished goods subject to heavy tariffs. ज्यादा taxes.

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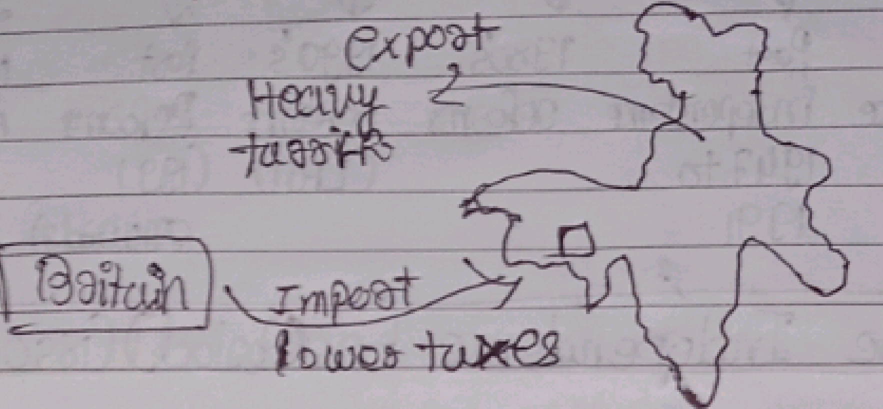
Discriminatory Tariff policy.

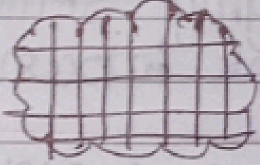
deep topic.

→ Imports from British were subject to lower tariffs.



→ large scale unemployment and absence of alternative sources of employment which forced many to depend on AGRICULTURE.

→ Sub division & fragmentation of Land holdings.
(dependent to small parts)
(टुकड़ो में बट जाना)



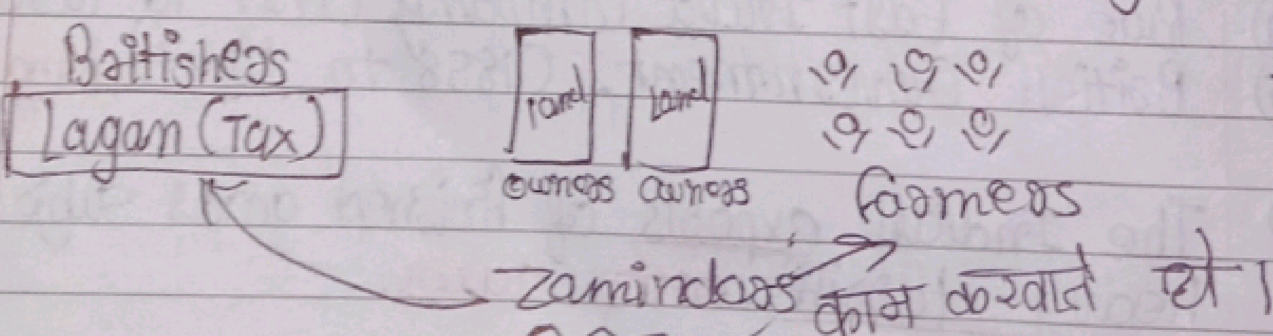
→ Imports of "cheap" machine made goods from Britain.

Britain
का machine से बना हुआ कपड़ा ₹100

India का
कुर्ता-पायजामा
500/-

तो यही खरीदना पड़ेगा।

→ Zamindari System:- (land settlement system)



→ High Indebtness of agricultures.
→ "Factory Based production" did not exist till 1850.
→ At the end of 19^{th} century, the Indian Jute Mill industry was the largest in the world. (around Calcutta)
In addition, paper-milling, leather-making, rice-milling industries also developed. Heavy industries also developed. Heavy industries such as Iron industry were established in 1814 by Britishers.

2. POST INDEPENDENCE (1947-1991)

→ Literacy rate was around 18%.
(साक्षरता दर)
→ Life Expectancy was 32 years.
→ India adopted Nehruvian Model which supported Social & Economic redistribution.

Economic growth by equity and distributive Justice.
अमीर-गरीब के बीच भेदभाव ना हो

→ 5 years plans were developed and monitered by Planning commission. Chairman Nehru जी थे।

→ 1948 : 1^{st} Industrial Policy Resolution. (IVR)

expanded role of Public sector and Licencing for Private Sector

→ The Policies in 1950's were guided by two economic philosophies:

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Nehru ji
(a) to build socialistic society with emphasis on $\boxed{\text{heavy industries}}$
(b) the Gandhian Philosophy of small scale and cottage industries.
Gandhi ji

→ $\boxed{1956}$: 2nd Industrial Policy Resolution
important है।
↓
· Private investments were discouraged and more focus on public sector investments.

→ India followed open foreign investment Policy and relatively open trade policy.
↓
restrictions कम करदी थी।

→ BOP crises emerged in 1958 (import > export)
इसमें पैसे कम हो गए।

→ "Import" controls were maintained "till 1966."
(रोकना)

→ From 1950 - 1980, India's annual growth rate of GDP was $\boxed{3.5\%}$
: Hindu Growth Rate

→ 1966 :- Green Revolution (HYV seeds)
↓
High Yielding Variety.

→ Due to food shortage, India had to depend on $\boxed{\text{US.}}$ for food aid.

→ 1969 :- 14 Banks were Nationalised.

1980 :- 6 more Banks were nationalised.

→ ~~During~~ The performance during 1965-1981 is WORST.

→ During 1960s + 1970s there were Licence Raj.
(Private sector को Co. खोलने के लिए Licence लेना पड़ते थे)

→ Major droughts (सूखा पड़ गया था) were there in 1666 and 1967. and Oil shocks (तेल कम होना) in 1973 and 1979.

→ 1969 : The Monopolies & Restrictive Trade Practices Act (MRTP Act) (Co. को बड़ा बनने से रोकता था)

→ Stringent "कठोर" (Harsh) Labour laws. (it discourage labour Intensive technique).
(eg. labour complaint करदे की salary late हुई फिर जुर्माना भरना पड़ता था)

3. REFORMS (1980's) (changes)

→ The annual growth rate of GDP during 1980 - 1985 and 1985 - 1990 were 5.7% and 5.8% respectively.

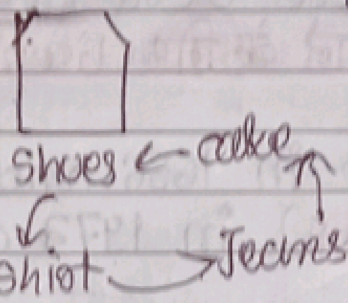
→ 1980's reforms broadly covers ~~two~~ three areas :-

Industry | Trade | Taxation.

Industry → In 1985, delicensing (आजाद किया licence से) of 25 industries was done.

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

Broad banding: कुछ भी बनाओ (Product licence की जरूरत नहीं है।



Product
[Diversity]
"Licence"

Taxation → The "multipoint excise duty" were converted ~~due~~ into Modified Value Added Tax (MODVAT)

Taxation → 12 April 1988: Establishment of [SEBI]
(Securities Exchange Board of India)

Taxation → Several export incentives were introduced.

Taxation → The rupee was devalued by 30% from 1985 – 86 to 1989 – 90

Export ↑ होजाता है।

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

* The reforms in 1980's were Limited in Scope and thus bigger reforms were organised in 1990's.

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4. REFORMS 1991 (LPG)

Liberalisation Privatisation Globalisation

→ Reasons for Reforms in 1991:-

1. Huge deficits. (Total Expenditure of Government is higher than their total receipts)
2. BOP crisis (Oil ~~crises~~ prices triggered by gulf war in 1990)

Country → Country
O vs. O
oil oil
war

Demand of oil ↑

gulf countries
(जो सारे countries से oil supply करती हैं।

Oil prices ↑↑↑↑

Import करता है:- India ☹
share market ↓↓↓↓

3. Foreign Exchange reserves touched the lowest point. ☹
4. India had to depend on external borrowings from International Monetary Fund.
5. Poor performance of Public sector undertakings.

Crisis of Confidence ☹

Therefore the reforms initiated in 1991 and popularly known as LPG.

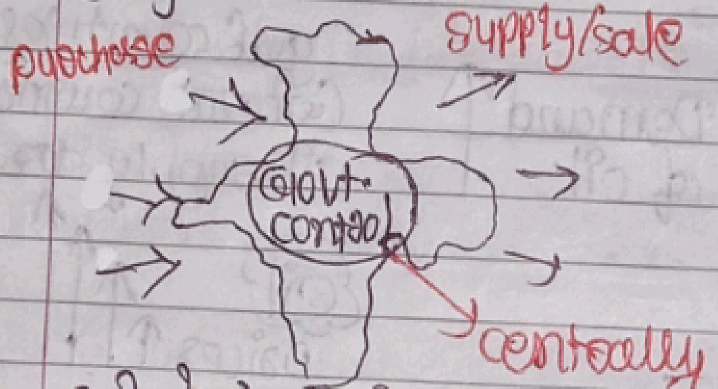
→ The reforms had two major **Objectives:**

(i) Reorientation of the economy from centrally directed and highly controlled one to "Market friendly" or "Market oriented economy"

(ii) Macro economic **Stabilisation** by substantial reduction in **~~Fiscal Policy~~ Fiscal Deficit.**

↓ Borrowings कम करनी है।

(i) eg.



खरीदने बेचने की restrictions नहीं होना चाहिए।
Demand supply अपने आप काम करे Market forces बीच मे ना आए।

→ The policies can broadly be classified as :-

- **Stabilisation Measures** → SHORT TERM Measures.
  eg. Overcome BOP crisis, control inflation
- **Structural Reforms** → LONG TERM Measures.
  eg. गरीबी हटाना देश से], Efficiency increase, Unemployment decrease

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1991 के 5 major reforms :-

(A) FISCAL Reforms.

→ There was fiscal deficit in the economy and we had a large current A/c. deficit (CAD)

Therefore Fiscal reforms were needed.

→ Introduction of stable & transparent tax structure
→ Better tax ~~wt~~ compliance.
→ Curbing Government expenditure. (कम करना)
→ Reduction in subsidies
→ Disinvestment
→ Encouraging private investments.

कैसे

* Government Entered into a historic agreement with RBI in September 1994 to ~~that~~ bring down fiscal deficit in phased manner ~~to~~ Nil by 1997-98

Fiscal deficit
(Exp > Receipts)
Borrowings

Current A/c. Deficit (CAD)
(Exp. > Receipts)

(B) Monetary and Financial Sector Reforms.

→ Interest rate liberalisation. (आज़ादी)
→ Reduction in controls on Bank by RBI
→ Opening new private banks
→ Reduction in reserve requirements i.e. CRR SLR. etc. (Recommendation by Narasimhan committee)

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→ Liberalising of Bank "Branch" Licencing Poli

→ Prudential Norms of accounting were introduced (classification of Assets).
  - → $\geq$ 6m कर्ज डूबा है
  - → < 6m कर्ज पैसे दिये

(C) Capital Market Reforms.

→ The Securities & Exchange Board of India (SEBI) was set up in 1988 and given Statutory recognition in 1992.

(D) New Industrial Policy.

→ New industrial policy was announced on 24 July 1991

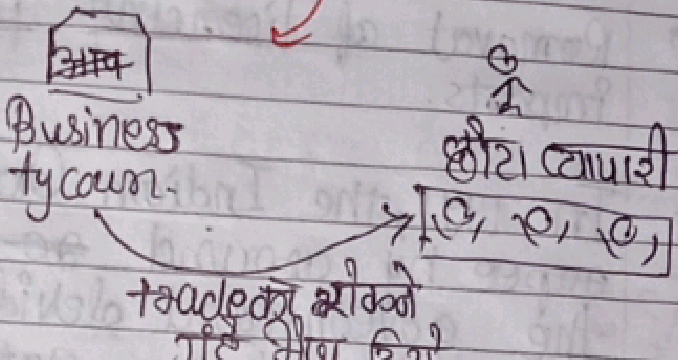
Put an end on Licence Raj - Removing licence for all industries except for 18 industries. Subsequently reduced to 5

Arms & industries	Atomic substances	Narcotic drugs (chemicals)	Alcoholic drinks	Cigarettes & cigars

→ Public sector was limited to 8 sector only. Subsequently only 2
  - → Railways
  - → Atomic energy.

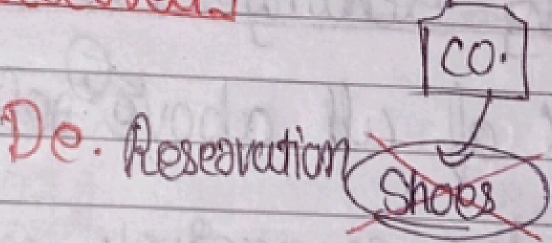
→ MRTP Act was restructured.

- Restriction in concentration of economic power in ~~to~~ few hands.
- Control of monopolies
- Prohibit restrictive trade practices



restrictive trade practices
(किसी को भी इतनी Power ना मिल जाए की वो इतना बड़ा हो जाए।)

→ Many goods produced by small scale industries were De-reserved.



→ This Policy ended the public sector monopoly in many sectors.
→ Foreign investments was also liberalised (concept of Automatic Approval was introduced for Foreign direct Investments upto 51%.)
→ External Trade was also introduced.
→ Rupee was devalued by 18% against dollar.

(E) Trade Policy Reforms: (व्यापार से related)

खत्म/तोड़ कर देना — Limits

→ dismantling of quantitative restrictions on import & Export.

→ Focus on Outward oriented regime.
~~Inward looking~~ trade policy

→ Removal of licencing procedures for imports.

* In 1991, the Indian Government devalued rupee by around ~~20%~~ 18%. In 1992, the government decided to establish a dual exchange rate regime.

- → Fixed Exchange rate (✓) $\boxed{(+)}$
- → Fluctuating exchange rate (✓)

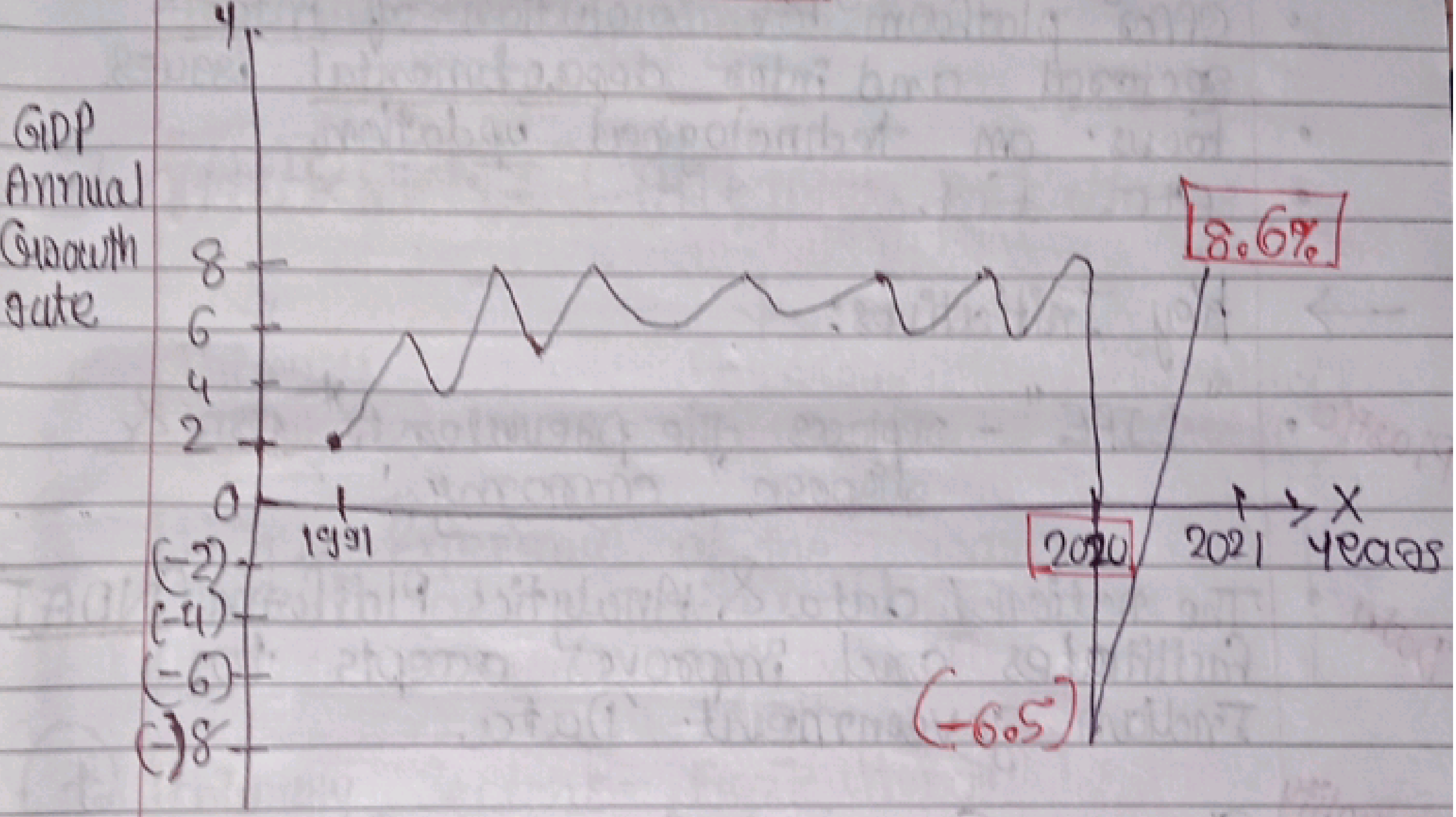
In 1993 onwards, India adopted Managed Floating exchange Rate regime.

*** CRUX of all above (5) reforms.:-

- India has progressively moved towards Market oriented economy.
- Growth of private sector investment.
- Ease of Trade ☺
- Robust demand for information technology and Financial services has kept the services trade surplus high.
  (Inflows > outflows)

- Poverty has reduced substantially.
- Reforms led to increased competition
- Improvement in Financial Sector.
- However, the fiscal deficit of the country remains high.

5. POST REFORMS.



6. NITI Aayog

→ On 1 Jan 2015, the apex policy making body namely planning commission, was replaced by National Institution for Transforming India (NITI) Aayog (Think tank of the government

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→ Objectives:-

- National development
- Foster cooperative federalism. Centre & state division Power
  Help करना (support)
- develop mechanisms to formulate credible plans at village levels. भरोसेमंद
- design strategic and long term policy.
- Offer platform for resolution of inter-sectoral and inter departmental issues.
- Focus on technological updation.
- Etc. Ect.

→ Key Initiatives:

- Plastic "LIFE" - replaces the prevalent "use & dispose" economy
- Data The national data & Analytics Platform (NDAP) facilitates and improves accepts to Indian government Data.
- air quality Shoonya Campaign: improve air quality.
- Ele. Vehicles E-Amrit - electronic Vehicles.
- India Policy Insights (IPI)
- Methanol Economy - aimed at reducing India's oil import bill, Green house gas emission and ~~low~~ converting coal reserves & solid wastes into Methanol.

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- Transforming India's Gold market.

→ Weaknesses :-

- Limited role
- दूर रखना ← Exclusion from Budgeting process.
- lacks autonomy → (freedom → power)
- Termination of planning Commission strengthens the "Ministry of Finance."

7. CURRENT STATE [100% Ratta]

- Primary (Agriculture)
- Secondary (Industry)
- Tertiary. (services)

Unique Experience of the sequence as Agricultural, services & industry. Sequence of growth.

(1) Primary Sector :- Agricultural

→ India has emerged as world's largest producer of milk, pulses, Jute and spices.
→ India has the largest area planted under Wheat, rice and Cotton.
→ India is the second largest producer of fruits, vegetables, tea, fish, Cotton, Sugarcane, wheat, rice and sugar.
→ Indian food & grocery market is the world's 6th largest (countability 70% of the retail sales)

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→ India has the world's largest cattle herd (buffaloes)
→ India is among top ten exporters of agricultural products in the world.
Agricultural and Processed Food Export Development Authority (APEDA) is entrusted with the responsibility of Export promotion.
→ Various measures are adopted by Government such as:
- 100% FDI in marketing of food products
- Income support to Farmers (PM KISAN)
- Fixing of MSP (Minimum support price)
- National Mission for Edible oils.
- Pradhan Mantri Fasal Bima Yojana. (PMFBY)
- Paramparagat Krishi Vikas Yojana. (PKVY)
- Agri infrastructure fund.
- Per Drop more Crop. (PDMC)
- Micro irrigation fund.
- Farmer Producer Organisation. (FPO)
- E-NAM - National Agriculture Market
  - Pan India electronic trading portal.
- Start up Eco system.
- Etc. Etc. Etc

☆ Issues :-

- Fragmented land holdings.
- Low farm productivity.
- low marketable surplus
- ~~I~~ Inadequate infrastructure.

- Low level of technological upgradation
- Inadequate post-harvest infrastructure.
- Etc. Etc. Etc.

(2) Secondary Sector :- Industry

→ Industrial sector contributes about 30% of Gross Value Added (GVA)

→ It employes over 12.7 crore of people.

→ Manufacturing accounts for 78% of Total production.

→ India's Rank in Global Innovation Index (GII) improved to 40th in 2022 from 81st in 2015.

→ The Department for promotion of Industry and Internal Trade (DPIIT) has a role in the Formulation and implementation of industrial policy.

→ Some Policies :-

- Vocal for Local.
- Ease of Doing Business → India's Rank 63rd in 2020
- National Single Window system.
- Make in India.
- PM Gati Shakti National Master plan.
- National Logistics Policy (NLP)
- FAME-India scheme - promote electronic & hybrid vehicle.
- ~~Ta~~ Remission ~~of Dut~~ of Duties & Taxes on
021 Export products (RoDTEP) - It replaced merchandise Exports from India scheme.

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- Startup India
- Emergency Credit Line Guarantee scheme.
- Foreign Investment Facilitation portal. - It replaced Foreign Investment Promotion Board (FIPB)
- Etc. Etc.

Challanges:-

→ Inadequate Infrastructure.
→ heavy reliance on imports.
→ Inadequate manpower.
तनावपूर्ण → Strained labour-management relation.
→ slow external demand.
→ Lower export competitiveness.
→ Supply chain uncertainity.
→ Etc. Etc.

③ SERVICE sector :- (Tertiary)

→ It is the largest sector of India
→ It accounts for 53.89% of India's GVA.
→ It has highest labour productivity.
→ It is the fastest growing sector.
→ India is among top 10 WTO members in service exports & imports.
→ India's service exports at US $ 27 billion (Nov 2022)
→ To ensure liberalisation of investment government has permitted 100% foreign participation in telecommunication services through automatic ~~route~~ route.

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→ The India Development Update (IDU) of the world Bank published in 2022 holds optimistic view that compared to other emerging economies, India is more resilient to adversities.

"adaptive"