Indian Economy :- Ch-10

Status of Indian Economy :- pre independence period (1850-1947) :-

* India had the largest Economy between 1st & 17th century controlling 1/3rd to 1/4th of world's wealth.
* The Economy comprised self-sufficient villages & bustling cities that served as commercial hubs.
* Cities offered diverse occupation & economic opportunities compared to villages, fostering trade & commerce.
* Agriculture was predominant, but india also boasted highly skilled artisians & craftman producing superior quality goods for global market.

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1.) The Rule of East India co. - 1757 - 1858
2.) British govt. in India from - 1858 - 1947.

* British Policies transformed India from a manufacturer to a supplier of Raw materials, devastating indigenous Industries.
* Discriminatory tariffs favored imported goods, leading to a decline in Demand for indian products.
* This shift caused widespread unemployment, land fragmentation, & increased poverty.
* The conolial Era saw the collapse of traditional village Economies, Exacerbating social & Economic inequalities.

* Industrialization remained stagnant under British Rule with factory-based production Emerging only after 1850.

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- India's cotton Milling Industry boomed in the late 19th century, Ranking 50th globally with 9million Spindles by 1930s.

- Jute mills around calcutta also thrived, dominating the International market by the late 19th century.

- Other industries like brewing, paper-milling & iron manufactering Emerged, with Indian Ranking 8th globally in iron output by 1930

- Despite Industrial growth, pressure from English producers hindered Expansion, resulting in Limited Industrial transformation contribution only 7% to the net domestic product by 1946.

10.2 Indian Economy :- POST-Independence [1947-1991]

- At Independence, india was predominantly Rule, with high poverty Levels & low Literacy Rates, highlighing Deep social & Economic challanges.

- The Nehruvian Model emphasizing state led-Industrialization & Social Redistribution, became the cornerstone of india's Economic policy post-Independence.

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* The planning commission was formed to oversee india's Socialist Economic Development through 5yrs Plan.

* Nehru's focus on Rapid industrialization led to the promotion of a planned modernization approach.
* Industrial policy Resolution of 1948 Emphasized State control in strategic sectors & limited Private investment

* Economic policies in the 1950s Reflected Nehru's Vision for heavy industry & gandhi's Emphasis on Small-Scale & cottage industries.

* Despite intial openness to foregin investment & trade, india faced a balance of payment crisis in 1958, leading to tigther controls & slower industrial growth.
* In mid-1960s, india faced agricultural crisis, prompting a shift towards prioritizing agricultural productivity over institutional Reforms.
* The 'Green Revolution' introduced high-yeilding farming techniques, significantly boosting food grain production.

* However, Excessive administrative controls & Nationalization of banks in the late 1960s & 1980s led to Economic Stagnation & decline in growth.

* India's closed economy, coupled with External, ~~futher~~ Shocks like wars & oil crises futher hindered growth, Exacerbated by Equity driven policy that discouraged wealth creation.

10.3 Era of Reforms:-

☆ Early Liberalization Efforts in the 1980s aimed to Restore price stability through tight monetary policy & fiscal moderation.

☆ These Reforms, often termed 'Reforms by Stealth', gradually shifted away from inward-oriented trade & investment practices.

☆ While not as comprehensive as later Reforms, these intiatives led to higher economic growth rates compared to previous decades.

☆ The Early Reforms focused on industry, trade, taxation & skillfull Exchange Rate management to stimulate Economic growth

The prominent industrial policy intiatives during this period directed towards Removing contraints on growth & creating a more dynamic industrial Enviorment were:-

- In 1985-86, the asset Limit for MRTP Regulation was Raised, Reducing constraints on larger firms.
- Introduction of the modified value added tax (MODVAT) in place of multipoint Excise duties Eased taxation on inputs, Reducing distorations.
- Various measures like the Establishment of EPZ, Expansion of open general liscence [OGL] list & introduction of Export incentives & boost trade.

10.4 – The Economic Reforms of 1991 :-

☆ In the 1980s, govt. spending consistently surpassed Revenue, leading to large fiscal deficits financed by domestic & External debt.

☆ Swelling public debt from persistent deficits Required a significant portion of govt. Revenue to be allocated for Interest payments.

☆ Economic Stain intensified in the early 1990s due to Surging oil prices & dwindling foregin exchange Reserves & prompting the need for Economic Reforms & External borrowing from organiszation like the International Monetary fund [IMF].

10.4.1 :- Fiscal Reforms :-

Escalating deficits prompted urgent measures to Enhance Revenues & Slash govt. spending to Rein in Excess Demand & narrow the Current Account Deficit.

Measures to this Effect included :-

1. Introduction of a stable & transparent tax structure
2. Ensuring better tax compliance.
3. Thrust on curbing govt Expenditure.
4. Reduction in Subsidies & abolition of unnecessary Subsidies.
5) Encourgaging pvt. sector participation.

☆ Historic agreement with RBI in sept -1994 to bring down the ~~B~~ fiscal deficit in phased manner to nil by 1997-98.

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10.4.2 → Monetary & financial sector Reforms:-

1. Reforms aimed to make financial System Efficient & transparent.
2. Measures included intrest rate liberalization & fostering competition among banks.
3. Reductions in Reserve Requirements were implemented.
4. liberalization of bank branch policies was undertaken.
5. prudential accounting norms were introduced for accurate financial Reporting.

10.4.4. The New Industrial policy:-

1. New industrial policy 1991 aimed to deregulated industries, Except for strategic sectors.
2. Public sector Limited to strategic sectors, Reduced from previous Monopolis.
3. Reforms abolished provisions for Pre-Entry Scruting & approval for large companies.
4. De-reservation of goods allowed entry of large scale industries.
5. Ended public sector Monopolies, Retaining only Strategic areas like atomic Energy & core Railway activities.

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10.4.5 Trade policiy Reforms :-

Aimed :-

- Dismantling of quantitative Restrictions on imports & Exports.
- focusing on a more outward oriented regime with phased Reduction & simplification of tariffs.
- Removal of liscencing procedures for imports.

Page turn!!

Indian Economy

10.6 Niti Aayog :- A bold step for transforming india :-

★ on 1st Jan 2015, Planning commission was Replaced by the National Institution for transforming India (NITI AAYOG).

Objectives of Niti aayog :- [Keywords]

1. vision of National Development priorities, sector & stretgies & states involvement.
2. cooperative federalism, structured support mechanisms, strong states, national strength.
3. village level planning, credible plans, aggregation mechanisms.
4. Incorporate national security into Economic strelgy.
5. Design & Monitor Strategic policies
6. Provide advice & partnerships.
7. create knowledges & Innovation support system.
8. Re-solve inter-sectoral issue for development.
9. Maintain a Resource centre for governance Research.
10. Monitor & Evaluate program implementation.
11. Focus on technology & capicity building.
12. undertake Necessary Activities for National Development Agenda.

Key initiatives of Niti aayog :-

1. promotes sustainable Economy.
2. Enhance acess to government Data
3. Improves air quality via electric vehicles
4. [E-Amrit] central hub for electric vehicle information.
5. offer india policy insights. [IPI]
6. Reduces oil imports, GHG [green house gas] Emission via methanol.

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7. Aims to boost gold sector, Exports & growth.

☆ Experts highlight NITI's limited role in planning & budgeting, lack of autonomy, & Exclusion from the budgeting process.

10.7.1 :- The primary sector :-

- Agriculture is india's primary livelihood Source.
- India was once Reliant on food imports until late 1960s
- India now Leads globally milk, pulses, Jute & Spices production.
- The Country boasts the largest areas planted with wheat, rice & cotton.
- Despite a declining share in GVA [gross value added], Agriculture continues to grow in absolute terms.
- Agriculture contributes 18.8% in GDP [2021-22].
- Agricultural production Index no for various Categories have shown sustained increases.
- Food grains production Reached 315.7 million tonnes in [2021-22].
- Agriculture Recorded a growth of 3.5% in 22-23 driven by government measures to enhance productivity, Ensure farmer returns, promote diversification, improve market infrastructure & Encourage investment.

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\# There are large no - of interventions are undertaken by different goverments :- A few Resent measures are:

1. Income Support through PM Kishan, MSP at 1.5 times cost, concessional credit & crop insurance via PMFBY.
2. National Mission for Edible oils, soil health cards & Parampargat Krishi vikas yojna for sustainable farming.
3. Mission for integrated Development of Horticulture & Agri-infrastructure, fund for holistic sector growth.
4. promotion of FPO's, PDMC Scheme, & Micro irrigation fund for Efficiency & organisation.
5. Initiative for machanization, E-NAM platform, Kisan Rail, & Startup Ecosystem for Modernization & Market access.

\# Despite this measures, Agriculture faces many issues:-

1. Resource - intensive, Regionally biased farming cause water & soil problems.
2. Lack of Processing facilities hinders competitiveness & value chain Development.
3. Slow shift to higher value crops, slow agricultural growth.
4. Climate - Resilent technology adoption & marketing improvements are needed.
5. Changes includes climate change adaptation, price volatility & Export issues.

10.7.2 The Secondary sector.

1. Indian Industry contributes 30% to GDP & Employees over 121 million people.
2. Sector include manufacturing, heavy industries, Chemicals, textiles & tourism.
3. Developing a strong manufacturing sector is a top priority for sustainable Economic growth.
4. Manufacturing dominates industrial production contributing 78%.
5. Manufacting GVA reached US $ 77.47 billion in Q3 FY-21-22.
6. core industries index stood at 142.8 in 22-23 Driven by coal, steel & Electricity.
7. India's Manufacturing PMI was 55.4 in Jan 23.
8. India Improved its global Innovation Index Rank to 40th in 2022.
9. policies like GST, corporate tax Reduction, Make In India, & Ease of Doing Business aim to boost industrial growth & investment.
10. National Single window system :- Streamlines investor approvals & services.
11. PM Gati shakti National Master plan :- Enhances Integrated Infrastructure planning.
12. National Logistics policy :- Aims to Reduce Logistics cost & improve competitiveness.
13. production linked Incentive [PLI] scheme : Boosts Manufacturing capabilities & Exports.

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14. FDI Reforms, RoDTEP [Remission of Duties & Taxes on Export products] & other initiatives :- Attract global Investment & promote Exports.
15. Innovation Initiatives :- Incubation, funding, Industry - academia partnership & IPR strengthening.
16. National Logistic Policy [NLP] :- framework for Logistics sector development.
17. Start-up india programme :- promote innovation, Reflected in improved (GII) Global innovation Ranking.
18. Make In india & ECLGS :- Boost industrial growth & facilitate Emergency credit.

⟹ There are many challanges to industrial sector also :-

1. infrastrure & manpower shotages hinder factor productivity.
2. Challanges include reliance on imports, MSME credit availability, & unsustainable industrial location & public sector in Efficiences.
3. problems with labor relations affect productivity.
4. Challanges include Export competitiveness, supply chain disruption & inflation.
5.) other issues involve global Economic Slowdon, Monetary policy tightening & informal sector Expansion

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10.7.3 The Tertiary sector:-

1. Post-Reform Indian Economy sees Services sector Driving growth in income & Employment
2. India uniquely bypasses the Secondary sector, shifting directly from agriculture to services.
3. This differs from traditional Economic Development paths seen in other nations.
4. The Service sector produces Intangible goods & accounts for over half of India's GVA [gross value Added] - 96.54 lakhs crore - 2020-21
5. its fastest growing sector with high labour productivity, driven by knowledge based services
6) Start up's, Mainly services, have seen Remarkable growth in Recent years.
7. India Rank among the top 10 in service Exports, resilient Even during the pandemic.
8. The Services sector attracts the largest Share of FDI, with liberalization measures Encouraging foregin Investment.