

CHAPTER - 10 'Indian economy'

- Status of Indian economy : PRE Independence Period (1850 - 1947)
- Between 1st and 17th Century AD India is the largest economy of ancient and Medieval world
 - India is 'Self-Reliant' and Control Approx $\frac{1}{3}$ OR $\frac{1}{4}$ OF World's wealth.
- Agriculture was dominant Occupation.
 - Peoples are Highly Skilled in craftsmen, handicrafts and Textile etc.
- The earlier known treatise on ancient Indian economy philosophy 'Arthashastra'
 - ↳ written by 'Kautilya (Chanakya)
 - Based on 'Political philosophy'
 - this Book used By 'Chandragupta Maurya'
- In this 'Arth' means not only wealth but All aspects of material well being
 - means 'wealth' and 'land'

True KingShip : The Ruler Subordination of his own desires and ambitions to good his people

- For Better KingShip → King, Minister, Farmland, Fortreness, Treasury, military and Allies.

- After king, British Govt Rule Come in India :-

- The Rule of East India Company 1757 to 1858
- British government in India From 1858 to 1947

During the period there is a industrial Revolution in Britain. they want High amt of 'Raw material' and Customer for their finished 'good'



This leads to 'virtual Reversal' of the Indian Foreign Trade nature from 'An exporter of finished goods' → to 'An exporter of Raw material'

- BRITAIN Govt DD :-

- (A) Heavy Taxes on Goods (finished) Export by Indians
- (B) low Taxes on Finished goods Import in India by Britain



'this leads to Indian good lost Competitiveness'

- Shift the pattern of demand by domestic consumers (↑) favouring Indian Foreign goods and decreases the domestic good demand

• Impact :-

- large Scale Unemployment
- Agriculture (↓)
- Zamindari System

- MCO AREA :-

- Modern industrial enterprises in Colonial India Started to grow in Mid-19th Century
- Cotton milling Business grew (second half of 19th century)
- Cotton Mill of India Industry had 9 million Spindles in 1930s. and Globally '5th Rank' in Term of Spindles

- Jute mill started in "Calcutta"
- At the end of 19th Century, $\rightarrow$ India jute mill industry was largest in world
- Iron industry established in 1814 and 8th Rank in world in term of output in 1930
- Just before "Great depression" $\rightarrow$ 1930: Indian was 12th largest industrialised country measured of manufactured products
- In 1946, the share of Indian manufacturing section in 'NDP' only 7%
 $\rightarrow$ net domestic product.

$\rightarrow$ Indian Economy: Post Independence $\leftarrow$ (1947 - 1991)

- At the time of Independence,
 Literacy Rate = 18% & Life expectancy = 32 years
- Nehruvian model support industrialisation & economic equality
- Planning Commission established for economic development and 5 years plan $\rightarrow$ 1st $\rightarrow$ 1951
- Rapid industrialisation of economy was cornerstone of Nehru development Strategy $\rightarrow$ Main Baat.
- First Industrial Policy Resolution (1948)
 - Expand Public Sector role and licensing for Private Sector.

- The Policies in 1950 guide by 2 economic philosophies:
 - (1) Nehru's visualization - Industrialization
 - (2) Gandhian philosophy of Small Scale & Cottage industry & village Republic

- Industry Policy Resolution (1956)
 - Enormous expansion of public Sector.
 - Because of that Pvt Sector (<) investment

- 1958 Balance of import payment Crisis :-
- First 3 decades after independence (1950-1980), Hto Hindu Growth Rate - 3.5%.

- In 1960s, the Strategy for agricultural development is land Reforms & Farmcooperatives

- But after this thing, agricultural not develop because
 - (1) Continuous Failure of Monsoon
 - (2) droughts Struck India in 1966 & 1967 and agricultural growth negative. So India had to depend on the United States for Food.



So, Because of this problem 'Green Revolution Come'

↳ (↑) Agriculture.

- In this, ~~High~~ ~~Seed~~ inovative Technique and High yielding Seeds

- Government nationalized 14 Bank in 1969 and 6 or Banks in 1980.

PL-480 agreement b/w US & India for food aid

1990-91, highest tariff: 355%.

FIPB abolished in May 2017 & new = Foreign Investment Facilitation Portal.

• The Economic Performance during 1965-81, is worst

Reasons, (↓) Productivity - due to Licence Raj & External
3 wars and major droughts.
• oil Shocks

- 1967, Govt make Reservation of many products which is
only produce by Small Scale industry

- THE ERA OF REFORMS -

- 1981-1989, is the period of 'Early Liberalization'
- Avg GDP Growth during 6th & 7th Plan is 5.7 & 5.8.
- In 1985, 25 broad Categories delicensing.
- Asset Limit of Firm As Per MRTP Act Raise 20 cr to 100 cr
- Establishment OF SEBI April 1988, and Statutory Powers 1982
- OGL (Open general license)
- REER [Real effective exchange rate] depreciate in Terms of ₹ 30%
- Budget For 1986 → Cutting Tax, (↓) Tariff, liberalisation

- Economic Reforms OF 1991 -

'Under Govt of Narasimha Rao

- needs of economic reforms:

- (1) Expenditure > Revenue receipts
- (2) Rise in Oil Prices
- (3) Foreign exchange Reserves at lowest ₹ 1.2 Billion
- (4) Crises of Confidence.

- LPG Policy major 2 objectives
 - (1) Re-orientation of economy
 - (2) macroeconomic Stabilization.

- Stabilization measures for 'Short Term' to solve inflation and adverse BOP.
- Structural Reform measure 'Long Term' bringing productivity, Remove Rigidities and make Competitiveness.

- FISCAL REFORMS:

Because of : (1) Excess demand
 (2) $\uparrow$ in imports
 (3) widening the current Account deficit

- Monetary and Financial Sector Reforms:

That Focus was mainly on

- (1) Reducing the NPAs Burden on Govt. Bank
- (2) deregulation Int. rates

Reduction in SLR, CRR under narasimhna Committee Report

- Reforms in capital markets:

- SBI which was Set-up on 1955 and Statutory Recong. 1992

- New Industrial Policy -

NIP on '24 July 1991'

- To increase domestic industry, Govt do.

- (1) Ended License Raj, except 18 industry and now only 5.

- MRTP ACT

- In Railway and atomic energy only public sector can do act.
- Reserved items of SSI - deReserved
- FDI prohibited in 4 sectors: Retail Trade, Atomic energy, lottery, Gambling etc.

- In 1990-99, highest tariff rate - 355%.
- Rupee devalued 18% against \$
- Dis-investment
- NITI AAYOG

Planning Commission was abolish in 2014 and 1 Jan 2015 NITI Ayog Start.

- Major objective of niti aayog
 - Spur innovative thinking
 - Co-operative Federalism

- Key initiatives of niti-ayog:
 - (1) LIFE
 - (2) E-amrit ^{e-vende}
 - (3) Shooonya Campaign → Air quality, E-vehicle
 - (4) National data and analytics Platform
 - (5) Indian Policy Insights
 - (6) Methanol economy
 - (7) Transforming India's Gold mkt.

- Current State of the Indian economy :

- (1) The Primary Sector: → largest Source of Livelihood
India has emerged as :
- world largest producer (milk, pulse, jute, spices)
 - world largest cattle herd (Buffaloes)
 - large are planted wheat Cotton Rice
 - 2nd largest producer Fruit, vegetable, tea, Fish
sugar, cotton, Rice

- World's 6th largest Food & grocery market
- 47% Indian population depend on agriculture and contribute 18.8% in GDP.
- PRIVATE Investment (↑) 9.3%
- APEOA is Responsible for promotion of export agri-product

- Primary Sector

- Fixing MSP at 1.5 Times of Cost production
- Pradhan mantri Fasal Bima yojna
- Per drop more crop (PDmc)
- E-Nam : a pan-India electronic trading portal

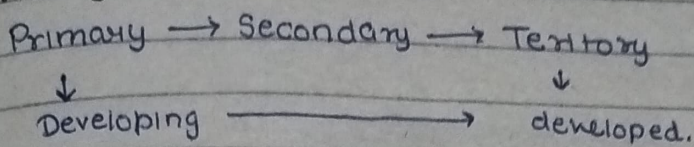
- Secondary Sector

30% GDP., 78% of Total Population manufacture

- Department for promotion of Industry and International Trade (DPIIT) has Role in Formulation & Implementation of industrial policy

- National manufacturing policy aim to 25% in 2025 of manufacture Sector Contribution.

(III) Tertiary Sector :



- India has unique experience bypassing the Secondary sector. shift from Agriculture direct → Tertiary
- Service sector is industry producing 'intangible goods'
- largest Sector of India → 53.89% of GVA.
- Fastest growing and Labour productivity
- India is among top 10 WTO member Service (E and I)
- Service Sector export — 27 billion.
- due to Covid-19, export not affect of Service Sector
- largest Recipient of FDI inflow & 60% FDI of Total is Service Sector
- 7th largest Recipient of FDI
- 100% FDI in Telecommunication Sector
- 49 → 74% in Insurance Co. FDI
- Real GDP India grew 6.3% July-Sep 2022-23