



CA Foundation – Business Economics



Economics Chp 10

Last Minute Notes

(Only Important Points)

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Disclaimer- These notes are meant only for **last-minute revision**. They are **not a substitute of Super Chart book**. In exams, students must explain each point in more detail & should refer to chart book for complete understanding of every concept.

CHAPTER 10 – INDIAN ECONOMY

1	<p>Between 1st & 17th century AD → India was largest economy of ancient & medieval world. → controlled between 1/3rd & 1/4th of world's wealth. (India was self-reliant & prosperous)</p>	<ul style="list-style-type: none"> ➤ Destruction of Indian manufactures → due to hostile imperial policies & competition from machine-made goods.
2	<ul style="list-style-type: none"> ➤ Earliest known book on ancient Indian economic philosophy is 'Arthashastra' by Kautilya (Chanakya) → genre of political philosophy. ➤ Handbook for King Chandragupta Maurya ➤ The major focus of work is on means of fruitfully maintaining and using land. ➤ True kingship is defined as a ruler's subordination of his own desires & ambitions to good of his people 	<p>Stagnated Nature of Industrialisation During Colonial Era</p> <ul style="list-style-type: none"> ➤ Cotton mill industry → 9 million spindles in 1930s ➤ Jute mills expanded in Calcutta → global demand for ropes.. ➤ At end of 19th century, Indian jute mill industry was largest in world in terms of amt of raw jute consumed. ➤ Producer goods industries → no expansion → because of pressure from English producers to discourage devp of industries in India. ➤ Share in NDP of mfg sector → 7% in 1946.
3	<p>Period of British Rule</p> <p>2 sub periods:</p> <ul style="list-style-type: none"> • East India Company → 1757 to 1858 • British government → 1858 to 1947 ➤ Industrial revolution in Britain in latter half of 18th century → there arose need of raw material & markets for finished goods → led to change in nature of India's foreign trade from exporter of manufactures to exporter of raw materials ➤ Indian exports of finished goods → heavy tariffs Indian Imports from Britain → lower tariffs (Indian goods lost their competitiveness) 	<p>INDIAN ECONOMY: POST-INDEPENDENCE (1947-1991)</p> <ul style="list-style-type: none"> ➤ At time of independence, India had a literacy rate of 18% & 32 years of life expectancy in 1951. ➤ Nehruvian model supported social & economic redistribution & industrialization ➤ Rapid industrialization of economy was cornerstone of Nehru's development strategy. ➤ Planning Commission of India was established in 1950 → to plan development of nation → through five-year plans

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7	<p><u>Industrial Policy Resolution</u></p> <ul style="list-style-type: none"> ➤ Industrial Policy Resolution (IPR) (1948) → expanded role of public sector & licensing to the private sector. It granted govt. monopoly in- atomic energy, arms and ammunition, & railways ➤ IPR of 1956 → provided framework for industrial devp → but lopsided as lead to huge expansion of scope of public sector. (dampening of private sector initiatives) 	<p>➤ Green Revolution was initiated soon by- ➤ innovative farm technologies & HYV seed → focus on wheat & rice ➤ intensive use of water, fertilizer and pesticides</p>
8	<ul style="list-style-type: none"> ➤ Policies in 1950's were guided by two economic philosophies: 1. Nehru ji → build socialistic society & focus on heavy industry 2. Gandhi ji → focus on small scale, cottage industry and village republics 	<p>11</p> <p><u>Nationalisation of Banks</u> Taking of full control & mgt. from Private Sector by Govt. Govt nationalized-</p> <ul style="list-style-type: none"> ✓ 14 banks in 1969 and ✓ then 6 in 1980.
9	<p>In 1950–80 → India's avg annual GDP growth rate - 'Hindu growth rate' - was 3.5 %.</p>	<p>12</p> <p>13</p> <p>The economic performance during “1965-81” is the worst in independent India's history.</p>
10	<p><u>Agriculture Issues & Green Revolution</u></p> <ul style="list-style-type: none"> ➤ Agri devp till mid 1960s → institutional model i.e. land reforms, farm cooperatives & no importance to technocratic areas like R&D, irrigation. ➤ 2 severe droughts struck India in 1966 & 1967. India had to depend on USA for food aid under PL 480. 	<p>14</p> <p>15</p> <p>16</p> <p><u>THE ERA OF REFORMS</u></p> <ul style="list-style-type: none"> ➤ The initiatives from 1981 to 1989 → referred as 'early liberalization' ➤ Aka. 'reforms by stealth' → ad-hoc & not widely publicized nature. ➤ The early reforms of 1980's covered three areas- industry, trade and taxation.

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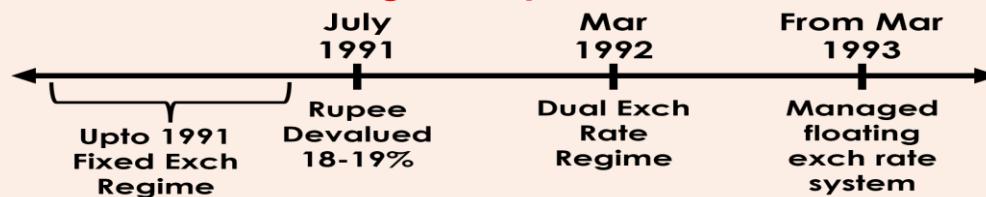
17	<p>Economic Reforms of 1991</p> <ul style="list-style-type: none"> ➤ Done under Narsimha Rao government. ➤ Major causes for such drastic change are <ul style="list-style-type: none"> • Large & persistent fiscal deficit. • Foreign exchange reserves touched lowest point → only \$1.2 billion → sufficient for only two weeks of imports. ➤ 1991 reforms → known as LPG- Liberalization, Privatization & Globalisation, had two major objectives: <ol style="list-style-type: none"> 1) reorientation of economy from centrally directed & controlled one to market oriented economy. 2) macroeconomic stabilization by reduction in fiscal deficit. ➤ Globalization indicate rapid integration between countries
18	<p>The Fiscal Reforms</p> <ol style="list-style-type: none"> 1) Stable & transparent tax structure, 2) Ensuring better tax compliance, 3) Thrust on curbing govt exp. 4) Reduction in subsidies 5) Disinvestment of govt's equity in PSUs & 6) Encouraging private sector participation.

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Trade Policy Reforms

- dismantling of quantitative restrictions on imports & exports, focusing on outward oriented regime, removal of licensing on imports.



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NITI AAYOG

- Planning Commission was abolished in 2014 → & on 1st Jan 2015 it was replaced by **National Institution for Transforming India (NITI) Aayog**.

- It is a 'Think Tank' of govt. & a 'directional and policy dynamo'.

Objectives- (Only IMP points)

- 1) 'spur innovative thinking' by 'experts', &
- 2) promote 'co-operative federalism' by enhancing voice of states'.
- 3) To **evolve a shared vision** of national development priorities, sectors & strategies with active involvement of states.
- 4) To **foster cooperative federalism**
- 5) To **develop mechanisms to formulate credible plans** at the village level

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Key initiatives of NITI Aayog

- Life (Lifestyle for Environment) → replacing prevalent '**use-and-dispose**' economy
- National Data and Analytics Platform (NDAP) → Access to Indian **government data**
- Shoonya campaign → **improve air quality** in India by accelerating the deployment of **EVs**
- E-Amrit → **one-stop destination** for all information on **EVs**
- **Methanol Economy** → aimed at **reducing India's oil import bill, greenhouse gas (GHG) emissions, and converting coal reserves and municipal solid waste into methanol**.

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THE CURRENT STATE OF THE INDIAN ECONOMY: A BRIEF OVERVIEWI) PRIMARY SECTOR

- Agriculture → **largest source of livelihood** in India.
- **47%** of India's population dependent on **agriculture**.
- Contributed 18.80% to GDP.
- India has emerged as-
 - ✓ **world's largest producer** of milk, pulses, jute and spices.
 - ✓ **largest area planted** under **wheat, rice and cotton**.
 - ✓ **world's largest cattle herd** (buffaloes).

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26	<ul style="list-style-type: none"> ➤ India is among top 10 exporters of agri products in world ➤ Agricultural and Processed Food Export Development Authority (APEDA) → responsible for export promotion of agri-products. 	28 Small & fragmented landholdings, low farm productivity and subsistence farming result in very little marketable surplus & thus lower income of agriculturists.
27	<p>Measures by govt to improve agri. sector-</p> <ol style="list-style-type: none"> 1) 100% FDI → marketing of food products & its E-commerce under automatic route 2) Income support to farmers through PM KISAN 3) Fixing of Minimum Support Price (MSP) at 1.50 times the cost of production 4) Pradhan Mantri Fasal Bima Yojana (PMFBY) – insurance scheme → farmers suffering crop loss/damage 5) Paramparagat Krishi Vikas Yojana → promoting organic farming, & improvement of soil health. 6) Promotion of Farmer Producer Organisations (FPOs) to ensure better income for producers. 7) Per Drop More Crop- increase water use efficiency 8) Setting up of E-NAM(Electronic National Agriculture Market) -a pan-India electronic trading portal which networks existing APMC mandis to create unified national market for agri commodities. 9) Kisan Rail→ improvement in farm produce logistics 	<p>29 We can say Indian agriculture has become modern since-</p> <ol style="list-style-type: none"> 1) increase in use of HYV seeds, fertilizers pesticides etc. 2) positive change in attitude of farmers on new techniques of production 3) farmers using intensive cultivation, multiple cropping, scientific water management
30		<p>II) SECONDARY SECTOR</p> <ul style="list-style-type: none"> ➤ 30% of GVA & employs over 12.1 crores of people. ➤ In 2023 → Manufacturing Purchasing Managers' Index (PMI) in India stood at 55.4. ➤ India's rank in Global Innovation Index (GII) → 40th in 2022 ➤ Department for Promotion of Industry and Internal Trade (DPIIT) has a role in formulation & implementation of industrial policy.

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31	<ul style="list-style-type: none"> ➤ Indian industry faced retrogression & deceleration bcoz- ✓ unsatisfactory performance of agriculture ✓ slackening of real investment in public sector ✓ narrow market for industrial goods, especially in rural areas 	
32	<ul style="list-style-type: none"> ➤ Govt policies for growing secondary sector 1) Introduction of GST on 1 July 2017 → replacing many indirect taxes. 2) Reduction of corp. tax to domestic comp. → at 22% 3) 'Make in India' is a 'Vocal for Local' initiative launched in 2014 4) 'Ease of Doing Business' → India ranks 63rd in World Bank's annual Doing Business Report (DBR), 2020 5) National Single Window System → one-stop-shop for investor related approvals & support to investors. 6) PM Gati Shakti National Master Plan → facilitate data-based decisions & planning of multi-modal infrastructure → reducing logistics cost. 7) National Logistics Policy (NLP) → aims to lower cost of logistics 	<ul style="list-style-type: none"> 8) Production Linked Incentive (PLI) Scheme was initiated for 14 key sectors → now also extended for white goods (air conditioners & led lights). 9) FAME-India Scheme (Faster Adoption & mfg of Hybrid & Electric Vehicles) to promote manufacturing of electric & hybrid vehicle technology 10) 'Udyami Bharat' → empowerment of Enterprises MSMEs. 11) PM Mega Integrated Textile Region and Apparel (PM MITRA) → for textiles sector. 12) Foreign Investment Promotion Board (FIPB) was abolished in May 2017, & replaced by Foreign Investment Facilitation Portal (FIFP). 13) Remission of Duties & Taxes on Export Products (RoDTEP) 2021 formed to the existing MEIS (Merchandise Exports from India Scheme) to boost exports.
		34 National Manufacturing Policy → aims to increase share of mfg in GDP to 25% by 2025

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35	<p>Industrial sector depends on agri sector because-</p> <ul style="list-style-type: none"> ✓ Agri sector provides food & other products for consumption of ind. sector ✓ Agri sector provides raw materials for development of agro-based industries ✓ Agri sector provides market for industrial products 	<p>Conclusion India Development Update (IDU) of World Bank published in Nov 2022 → India's is relatively more insulated from global spillovers than other emerging markets</p>
36	<p>III) SERVICE SECTOR</p>	
36	<ul style="list-style-type: none"> ➤ India has unique experience of by-passing secondary sector in growth trajectory by a shift from agriculture to services sector. 	
37	<ul style="list-style-type: none"> ➤ Service sector refers to industry producing intangible goods (services) ➤ Its largest sector of India & is 55% of GVA. ➤ It is fastest growing sector in India & has highest labour productivity. ➤ India is among top 10 WTO members in service exports and imports. ➤ Services sector is largest recipient of FDI inflows. ➤ 100% foreign participation in telecommunication services through Automatic Route. ➤ FDI ceiling in insurance cos. was raised to 74%. 	