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## Ch-10 Indian Economy

### 1) Pre Independence (1850-1947)

- Between 1st & 17th Century AD, india has control over  $\frac{1}{3}$  and  $\frac{1}{4}$  of world's wealth.
- Country had highly skilled artisans and craftsmen

### Ancient Economic Philosophy

- Treatise on ancient Economic Philosophy is 'Arthashastra' contributed by 'Kautilya'
- It is about Political Philosophy
- Hand book for Chandragupta Maurya
- In 'Arthashastra' there is no regard for ethical consideration.
- Artha Primarily means wealth & Secondarily
- Seven element for Good of People | 'Land'.  
king, Minister, Farmland, Fortresses, Treasure, Military, Allies

### Period of British Rule

- East India Company 1757 to 1858
- British Govt 1858 to 1947

- Discriminating Tariff Policy
- Domestic Consumer Demanding  $\Rightarrow$  Foreign Goods

\* Factory Based Production does not exist before 1850.

- Modern enterprise start growing in mid-19th.
- ★ • Cotton mill industry got 5th Position globally for its 9 million spindles in 1930's
- Jute occupied large share of international market
- Iron industry was established in early 1814 by British Capital.
- India was ranked 12th largest industrialised country before great depression, 1930
- ★ • factory employment was also small 0.4% in 1900  
1.4 in 1941

## 2) Post Independence (1947-1991)

- At that time India was overwhelmingly rural
- ★ • Literacy Rate 18%, 32 years life expectancy in 1951
- ★ • Nehruvian model focuses on social & economic redistribution
- Planning Commission was established 1950
- 'Planned Modernization' Central govt investment in Coordination with Private sector.
- IPR • Industrial Policy Resolution, 1948 Expand role of Public sector and License to Private sector.
- Policies in 1950's guided by two economic philosophies
  - PM Nehru focus on Socialist society with heavy industry.
  - Gandhian philosophy of Small Scale and Cottage industry and Village Republics.
- IPR 1956 discourage Private Investment
- Followed open Foreign investment & Trade Policy in late 1950's

Niti Ayog  
2015

- ★ The Hindu Growth rate was 3.5% in first 3 decades after independence.
- ★ Agriculture was not prioritise in second plan
- ★ Droughts in 1966 & 1967
- Depend on US for food
- Green Revolution was initiated
- Govt Nationalise 14 Banks in 1969 & another ~~6~~ 6 in 1980.
- Worst period in Independent India 1965-81
- License Raj 1960's & 70's. three wats 1962, 65, 71  
Oil shocks 1973 & 79
- ★ Monopolies & Restrictive Trade Practices (MRTP) Act, 1969  
Restrictions were imposed on them. for merger & many more
- 1967, Policy for Reseration of products for small manufacturers.

## 3) The Era of Reforms

- Reforms in 1991 under PM Narsimha Rao Govt.
- ★ Early Liberalisation 1980's, Thus 1981 to 89
- Liberalisation also known as 'reforms by Stealth'
- GDP During
 

<u>Sixth Plan</u> <u>1980-85</u>	<u>5.7%</u>
<u>Seventh Plan</u> <u>1985-90</u>	<u>5.8%</u>
- 1985, delicensing of 25 Broad Categories
- Asset limit for MRTP raise from 20 crore to 100 crore
- Excise duties converted into MODVAT - Full form
- ★ Non Statutory establishment of SEBI, Apr 12, 1988

- Open general license (OGL) list was expanded & reach 1329 in Apr 1990.
- Price & distribution control on Cement and aluminium were abolished.
- Rupee was depreciated by 30%.
- NEP in 1990

#### 4) The Economic Reforms 1991

Need for NEP

- Fiscal initiative in 1980's lead to fiscal Deficit
- Revenue used for Interest Payment
- Gulf war 1990
- Low foreign reserve nearly \$1.2 billion, just sufficient for two week import.
- Dependency for funds from IMF, lead to introduction of LPG
- Two Major objective of LPG
  - Closed to Open Economy
  - Microeconomic stabilization by reducing Fiscal Deficit
- Two Types of Policies

Stabilisation measure - short term, to address inflation & BOP

Structural Reform measure - Long term, to bring Productivity & Competitiveness

#### ① The Fiscal Reforms

- Govt Entered into an agreement with the RBI in September 1991 to bring down fiscal Deficit to nil by 1997-98.

## ② Monetary & Financial Sector Reforms

- The focus was mostly on reducing the burden of non performing asset of Govt Bank.
  - ↳ Jolog Loan vapis  
Nahi kar rahe

- Interest Rate Liberalisation for Banks
- Reduction in CRR & SLR requirement by the recommendation of Narasimhan Committee 1991  
+ change in norms of Accounting

## ③ Reforms in Capital Market

Non statutory SEBI setup in 1988 was give Statutory recognition in 1992.

By Gautam Gogia

## ④ New Industrial Policy

- NEP end to 'License Raj' by removing license except for 18 industry, further it reduced to 5.
- MRTT restrictions were taken over
- Reservation of goods for Small scale Industry were dereserved.
- Only 8 Industries were reserved for Public Sector, subsequently only two atomic energy & Railway
- Automatic Approval for FDI upto 51%

- \_ / \_ / \_
- Top tariff Rate in 1990-91 355%  
1993-94 85%  
1995-96 50%  
2007-08 10% Some Exception such as automobile 100%
  - Rupee was devalued by 18% against dollar
  - Disinvestment of Govt holding

### (5) Trade Policy Reforms

#### • Aim

- Dismantling Quantitative Restrictions
- Outward Oriented Regime with Simplified Tariff
- Removal of License for Imports

- In 1991 India still have 'Fixed Exchange rate system'
- In 1992 Govt Establish 'dual Exchange Rate'
- From 1993 India followed 'Floating Exchange system'

- High demand for IT and Financial Services has kept the 'Services Trade Surplus' at 3.7% of GDP.
- Value added share of Agriculture and allied activities has declined over the Past four decades.
- India debt share of GDP at 86% in FY 21/22 is higher than average 64.5% of developing economies in 2022 (IMF)

## 6) NITI AAYOG

- Planning Commission work nearly 64 years
- 1 Jan 2015, Planning Commission was replaced by NITI Aayog (National Institution for Transforming India).
- Objective was 'innovative thinking' & 'Co-operative federalism'
- It is 'think tank' of govt.

### ★ Key initiative of NITI Aayog <sup>E-Amrit</sup>

★ - Shoonya Campaign aims to improve air-quality in India by development of Electric Vehicles

★ - E-Amrit one step destination for all information on EV.

★ - Methanol Economy Programme aim to reduce Oil Import & Green house Gas emissions. Also Converting Coal Reserves and Municipal solid waste into methanol.

- Transporting India's Gold Market

## 7) Current State of Indian Economy

### ★ Primary Sector

- Indian Food Market is worlds 6th largest with retail contribution 70% of sales.
- Indian livestock attained record growth of 6.6% during (2010-19)

• Although share of Agriculture decline in overall GVA, but it grows in absolute terms.

• 47% Population is Directly Dependent on Agriculture

★ GVA Contribution 18.8% in 2021-22

- Faster growth due to measures taken by govt
  - MSP of 23 crops is fixed at 1.5 times of average cost of production.

- APEDA (Agriculture and processed food Export development Authority) is responsible for Export Promotion of Agri-Products.

- Govt Allowed 100% FDI through direct routes in Marketing of food Product and E-Commerce of food Product.

\* Initiatives by Govt

- ★ Pradhan Mantri Fasal Bima Yojana (PMFBY) for insurance of crop loss.

- ★ (PKVY) Paramparagat Krishi Vikas Yojana, for Organic Farming & Soil health.

- ★ Setting up E-Nam a pan India Electronic trading portal which network existing

- ★ APMC Mandis to create national market for Agricultural Commodities.

unified

★ Secondary Sector

- GVA Contribution 30%
- Employment over 12.1 crore of people
- Share of informal sector in GVA is more than 50%
- Manufacturing GVA estimated at US\$ 77.47 billion in 3rd quarter in FY 21-22°

- Innovative Schemes by Govt

- GST on 1 July 2017

★

GST 1 July  
2017

India Rank 63 - 2020  
as against 77 in 2019

- Make in India as 'Vocal for local' \*
- 'Ease of Doing Business' MCQ - Ans 63/77 ~~77~~ thrank
- National Single window System
- PM Gati Shakti National Master Plan - For Infrastructure

- National Logistic Policy, September 2022, lower cost of logistic.

○ EAP

Fame

★  
EV

- Fame India scheme (Faster adoption and Manufacturing of Hybrid & Electric Vehicle)

- 'Udyami Bharat' to empower MSME (Micro small & medium Enterprise)

- PM Mitra (Mega Integrated Textile Region & Apparel)

- 100% FDI under Automatic Route for the Sale of Coal and Mining Activities.

By Startup India Programme  
Indian Rank in Global Innovation Index Improved

from 2015 81st to 2022 40th.

★ - ECLGS (Emergency credit line Guarantee Scheme)

★ India is Gearing up for 4th Industrial Revolution.

★ Tertiary Sector

★ • India has a unique experience of bypassing the Secondary sector and directly shift from Agriculture to Service Sector.

• GVA contribution 53.89%

T - 53.89  
S - 30  
A - 18.8

- \_/\_/\_
- Service sector growth also compliments Manufacturing Sector
  - Over last few years, startup which grown remarkably belong to services sector.
  - India is among Top 10 WTO member in service export & Import.
  - More than 60% FDI in india is from in Service Sector.

100% Foreign Participation in tele communication through Automatic Route.

FDI in insurance also increase to from 49 to 74%.

Food  
+  
coal &  
mining

*By Gautam Gogia*