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* Ch-10

The Indian Economy

Indian Economy Timeline

Prosperous Economy

English East India Company

First War of Independence

25% of World Trade — Pre 1757

1757 — 1857 (1858) — British Rule

1947 — 3% of WT

1991

Post 1991

* Q) Who wrote the first book related to Economics?

Ans:- Kautilya [Chanakya] : Mauryan Empire (Around 300 B.C)

⇓

Arthashashtra : Politics, Strategy, Economics, Military, etc.

→ Ruler must keep peoples interest before his own interest.

* 1750s :- Industrial Revolution in England

PM: Pdt. Jaw. Nehru

1947 — (90% tax) Mixed Economy — 1991 — 2024

Finance Minister :- Manmohan Singh

India's Economy ⇓ Stagnant

→ Strong centre ⇓ Lot of restriction ↓ Poor state

oil ⇒ 2 weeks
no money

* 1991 : IMF & World Bank → Ok, take loan subject to 3 conditions :

a.) Liberalisation b) Privatization c) Globalisation

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* a) Liberalisation ⇓ Freedom from unreasonable restrictions on Private.

b) Privatisation — Tif of Govt owned business from Public sector to Private Sector.

c) Globalisation — Integration of Domestic Economy with the World Economy

* Division of Labour → Work divided between people

(Ancient) Simple :- Division of product & services
(Pre Independent)
→ Chips : 1 person
→ Butter : 2nd person

eg : Cloth (one person)

Complex (Modern Economy)
A single product is divided multiple processes
↓
A person is charge of process and not for product → Brings Specialization

eg :- Cloth
cut - P1
stitch - P2
Dyeing - P3

* 2 main objectives of British :-

1) To make India market for finished products for British

2) To make India a source of Raw material.

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* Approach of British : De Industrialisation

→ Promoting British Industries by destroying Indian Industries.

* Land Tenure System / Zamindari System

Owned by British
⇓
Auction
⇓
Those that will give us maximum taxes
⇓
Owner [Zamindar of this land]

Agricultural Land

for eg:- A ⇓ 20%   B ⇓ 40%   C ⇓ 70% → He will become Owner

Then, 70% British
10-15% Owner   2-5% Farmer ⇒ Also he will do the upkeep of land

∴ Giving British more Power

* 1947 :- Literacy Rate - Below 18%

Literate	Educated
→ Ability to Read & Write in atleast 1 language	→ Qualification / Degree

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* 1951:- Life expectancy :- As low as 32yrs

* Infant Mortality Rate :- 218/1000 dieing before celebrating age one!

* Green Revolution : In 1960s

Dr Norman Borlaug :- Mexico [Father of GR]

MS Swaminathan :- India [Father of GR]

⇒ Green Revolution :- Exporter of FG because of GR

1) Increase food productivity

2) HYV (chemically made) seeds and fertilizers — High yielding varieties

↳ At first : Haryana, Punjab, UP

* 1757 — Stagnated / Colonised — 1947 — Nehruvian Economic model — Mixed — 1991

Mortality rate 218/1000
Life Expectancy 32yrs
Literacy 18%

Mixed → Strong center, seems like Socialistic Economy → Failed due to so many restrictions on Pvt sector

* Restrictions on Private Sector :

1) License 2) Restriction on Business Organisation having assets > 20 crore [MRTP]

3) Branches of Banks not allowed.

* ⇒ 1990s Economic Reforms :

1) ₹ was depreciated around 30%, why? [1985-1986]
↳ Gradually changes arrived

⇒ Indian Products cheaper in World Market
⇒ Exports of India will boost up ↑

2) Engineering goods / Mfr Industry :- Broad Band Licensing / Broad Branding

eg:- Govt → License → Manufacturer → Trucks
→ Cars

no need of license for related goods

3) Tariff Rates [import taxes] 70% to 17% (approx or ball park)
Reduced

4) Quota was abolished

* Q) Why was there a need for 1991 reforms?

Ans: i) Fiscal Deficit :- Huge [Govt. Borrowings]
ii) Rising Oil Prices [2 weeks of oil]
→ India has little money to import
→ USSR disintegration

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iii) USSR disintegration [Major export of India]
⇓
Union Soviet Socialist Republics
[17 countries] → Russia
→ Afganistan
Export ↓ → Ukraine
→ Georgia

* Rising Oil Prices :- 1991

⟶ Gulf War

Iraq (Oil) — Kuwait (Oil) — Oil price ↑

* Battle of Plassey — 1757
1858
1947
Nehruvian Mixed ⇓ Strong Govt
1991
[English East I CX]
British ↑

* Pre 1991 | Post 1991

⇓ Socialistic Model
Mixed Economy with a Strong Centre

1991

Mixed Economy
With more freedom to Pvt. Sector.

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* The focus of LPG was to change from Highly Controlled Economy/ Social Economy to Market oriented / market friendly economy.

* Swelling public debt :- Increasing public debt

* Muster FOREX :- Accumulate foreign exchange/currency.

* Policy Reforms

Stabilisation → Short term

Structural → Long term

* From 1991, role of RBI changed from regulator to facilitator.

* Financial / Banking Sector Reform (Narasimham Committee)

→ Branch Policy Liberalised

→ RBI regulator ⇒ facilitator

→ CRR, SLR reduced ↓

* Industrial Policy Resolution 1956

- Schedule A : Pvt sector × [D, A, R] Def, Atomic, Rail
- Schedule B : Govt [Main], Pvt [Support], [M, A, F] Mineral, Alm, Fertilisers
- Schedule C : Other than Schedule A & B where Pvt sector can do business → after license

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* New Industrial Policy 1991 :-

1) Abolition of Licensing Req. Except some businesses

i) Alcohol brewing ii) Defense

iii) Hazardous Chemicals iv) Cigarettes

v) Atomic substances.

2) 2 Areas reserved for Govt :- Railways, Atomic energy

3) SSI → dereserved

↳ To allow large scale business

4) No restriction on business expansion, no need of scrutiny.

Checking

5) 'Positive List' ⟶ 'Negative List'

* Devaluation of ₹

1986 - 1990

⇓

30 %

Beyond 1991

⇓

18 - 19 %

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* India War Economic SP [25%]

(Exploitation)		(Nehruvian Model)			Post 1991
1757	1858	1947	1981	1991	
⇓	⇓		⇓		
EIC	British Govt	Stagnant	Early Reforms	IMF, WB	

* 1951 : Look into the 5 year plan Implementation → which is Planning Commission

* 1/01/2015 :- Planning Commission ✗

NITI Aayog ✓
↳ National Institution for Transforming India.

→ Think Tank for Government

→ Policy Dynamo for Government

→ Promotes Cooperative Federalism
↳ states are allowed to voice opinion

* Use & Dispose economy :- Also called take make waste economy.
[Project 'Life'] ⇒ to eliminate wastage of resources.

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* Key Initiatives of NITI Aayog :-

1) LIFE - Reduce Wastage

2) Shoonya Campaign - Reduce air pollution by promoting E-Vehicles

3) E-Amrit - Info related to E-Vehicle

4) Methanol Campaign - To reduce oil imports

* National Income Sectors:
  - ≤ 20% → Primary S
  - 25-30% → Secondary S
  - Arnd 50% → Tertiary S

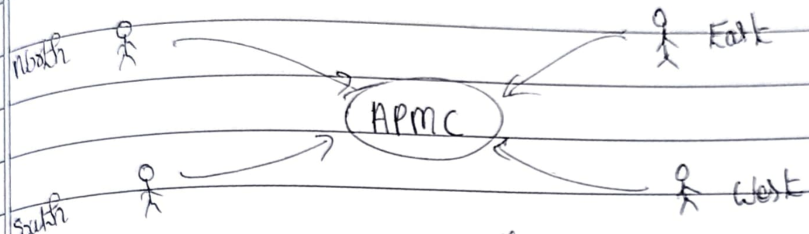
* Agriculture Diversification
  - → Single Crops → Multiple crops
  - → Agriculture → Non-Agri activities [Fishing, horiculture, animal husbandry, poultry farm]

* Apex [Top most] Bank in our country for providing Agricultural Loan?

Ans:- NABARD [National Bank for Agricultural and Rural Development].

* E-NAM for APMC
  ↳ like electronic pan card

APMC :- Agriculture Produce Market Committee
(Local)



everyone sells
from here to there
throughout India...

eg:- Kerala Kolkata Mumbai

* Department for Promotion of Industry & Internal Trade (DPIIT)

  ⇒ Policy formation for Industrial Development.

Read the remaining part in Study material, because each and every point is important. Questions can be be from it!