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Indian Economic Development

Development, 1950 - 90

→ There are different types of economic systems in all over the world. At the time of independence, out of which capitalism and socialism were prevailing.

→ The ~~then~~ Then Prime Minister Jawaharlal Nehru was in favour of socialism but not like Soviet unions where farmers & industrialists worked upon govt's resources.

→ Therefore, by opting positive points of both, capitalism & socialism Government opted for mixed economy.

→ Government would plan for the economy with the private sector being encouraged to be part of plan effort made by government.

→ The industrial policy resolution, of 1948, and directive principles of Indian constitution provided all the guidelines for running industrial sector.

→ Every society has to answer 3 questions
- ↳ what goods & services should be produced in the country.
- ↳ How should the goods & services be produced (capital intensive & labour intensive)
- ↳ How should the goods & services be distributed among people.

(i) Capitalistic economy: The answer of above questions in this economy is taken through market forces, therefore it is also called market economy.

This economy considers purchasing power in our Economy. Therefore, this complete type of economy has not been opted some people would be left behind without the chance to improve their quality of life.

(iii) <u>Socialist Economy</u> :- in ~~these~~ this economy these questions are answered by economic planning

In India, A very large country, this is not practically possible like Cuba and China.

<u>Mixed Economy</u>

→ The above questions are answered with the optimum combination of both economic planning & market forces.

→ What is a plan?

It means how the resources of the nation should be put to use.

It should have some general goals as well as specific objectives which are to be achieved within a specified period of time.

→ In India, the concept of 5 year plans borrowed from the former Soviet Union, the pioneer of national planning

→ In 1950, the planning commission was set up as the Prime Minister as its chairman and the era of 5 year plans had begun

→ When plan are made for more than 20 years or over a period of 20 years they are called perspective plans.

→ The five year plans were supposed to provide the basis for the perspective plans.

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The goals of the five years plans. (GMSE)

Growth | Modernisation | Self reliance | Equity.

→

Growth

→ it refers to increase in the country's capacity to produce the output of goods & services within the country.

→ it implies either a larger stock of productive capital or a larger size of supporting services like transport or banking or an increase in the efficiency of productive capital and services.

→ An increase in the GDP is a good indicator of economic growth

→ The contribution in GDP made by all of three sectors (Primary, secondary, tertiary) makes up the structural composition of the economy.

→ in India with development, the share of agriculture declines and the share of industry becomes dominant.

→ At higher levels of development, the service sector contributes more to the GDP than the other two sector.

→ The share of agriculture in GDP was more than 50%. but by 1990 the share of service sector was 40.59% i.e more than the other two sectors.

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Modernisation.

→ To increase the production of goods & services, the producers have to adopt new technology, which is called modernisation.

→ However, modernisation does not refer only to the use of technology but also to change in social outlook

→ For example, women are supposed to remain at home, while men work for Livelihood. In place of it, the women should be at workplace in banks, schools, etc to show their talent.

Self - reliance

→ A nation can promote economic growth & modernisation by using its own resources or by using resources imported from other nations.

→ The first seven five year plans gave importance to self reliance till 1990.

→ it was considered as a necessity in order to reduce dependance on foreign countries, especially for food. It was feared that dependance on imported food supplies, foreign technology and foreign capital may make India, ~~soverig~~ sovereignty vulnerable to foreign interference

Equity -

→ it is important to ensure that the benefits of economic prosperity reach the poor sections as well ~~as~~ instead of being enjoyed only by the rich.

→ Every Indian, should be able to meet his/her basic needs such as food, a decent house, education & healthcare & inequality in the distribution of wealth should be reduced.

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Mahalanobis : The architect of Indian planning.

→ statistician.
→ Prasna Chandra Mahalanobis
→ Born : 1893 Calcutta.
→ Education : Presidency college in Calcutta
Cambridge university in England.
→ 1945 : Became a fellow member of Britain Royal society.
→ Established the Indian Statistical Institute. (ISI) in Calcutta.
→ started a journal : 'Sankhya'

From second five year plan, a landmark contribution to develop Indian Planning system was based on the Ideals of P.C. Mahalanobis

Agriculture.

① Land Reforms.

→ At the time of independence, the land tenure system was characterised by ~~intermediaries~~ intermediaries called zamindars, ~~jaugtri~~ jagirdars etc.

→ They collected rent from the actual tillers of the soil without contributing towards the improvement of the farms.

→ The low productivity of the agricultural sector forced India to import foods from the United states of America.

→ After one year of Independence, the first step was taken abolition of intermediaries, which was the major land reform which primarily relates to the charge of ownership.

→ The main objective behind this step was to provide sufficient capital available to the tiller of the land.

→ Other benefits of the policy of "land to the tiller." ~~is based on~~ are as follows -

- the cultivators will take more interest
- they will have more incentive
- they will make more profits from the increased outputs
→ they will be more careful about land

② Land Sealing
→ it means ~~the~~ fixing the maximum size of land which can be owned by an individual.

→ The main purpose was to reduce the concentration of land ownershi in a few hands.

→ About 200 lakh tenants came into direct contact with the government by abolishment of intermediaries.

→ Although the goal of equity was not fully served because in some areas ~~because~~ the former zamindars continued to own large areas land. by using loopholes in the legislation.

→ This land sealing decision was challenged by so many big landlo so, implementation was delayed

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→ They used names of their close relatives and other family members to register lands.

→ land reforms were successful in Kerela and West Bengal because these states had governments committed to the policy of "Land to the tiller."

③ Green Revolution (MS Swaminath.)
→ At the time of Independence, 75% of country's population was dependent on agriculture

→ Productivity in agricultural sector was very low because of
— use of old technology and
— absence of required infrastructure.
— too much dependence on monsoon.
— low irrigation facilities.

→ This stagnation was permanently broken by green Revolution which means a large increase in production of food grains resulting from the use of high yielding variety seeds (HYV seeds).

→ It was mainly applied in production of wheat and rice.

→ The use of these seeds required the use of fertilizers and pestiсides in the correct quantities as well as regular supply of water.

Although it required a lot of knowledge for usage and financial resources also.

Phases of green Revolution.

Phase I	Phase II
→ Mid 1960 to Mid 1970	→ Mid 1970 to Mid 1980.
→ wheat based region	→ More crops and more regions
→ Punjab, Andhra-Pradesh & Tamil Nadu.	→ subsidies, loans, knowledge sharing centres established

⇒ Benefits of green Revolution.

→ it enabled India to achieve self sufficiency in food grains. Therefore, India no longer had to be at the mercy of America or any other nation for meeting its food requirements.

→ After this revolution, the concept of market surplus, came into existence which means the excess of production after self consumption to be sold in the market.

→ This revolution contributed to economy by increasing productivity and commercialisation of food grains.

→ A good proportion of rice & wheat produced during the Green Revolution was sold by farmers in the market.

→ The Price of food grains declined which benefitted the lower income groups a lot.

→ The Green Revolution enabled the government to procure suffi[cient] amount of food grains to build a stock which could be used in times of food shortage.

Problems of Green Revolution.

→ The possibility of increase in the disparities between the small & big farmers.

→ HYV crops were also more prone to attack by pests and the small farmers could lose everything in a single pest attack.

Measures taken by Government to overcome the problems.

→ The Government provided loans at a lower interest rate to small farmers.

→ subsidised fertilizers available to small farmers.

→ Research institutes established by the Government to study the reduction in the loss of crops by pest attack.

④ Industry & Trade.

→ industry provides employment which is more stable than the employment in agriculture.

→ It promotes modernisation and overall prosperity.

→ At the time of independence, industries confined to the cotton textile and jute. There were two well-managed iron & steel firms; one in Jamshedpur and the other one Kolkata

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Public & Private sectors in Indian Industrial development.

→ in the second five year plan government shared the control on Industries with the private sector.

→ **IPR (industrial policy revolution) 1956.** → :

→ This resolution formed the basis of the second five year plan.

IPR 1956.

- industries which would be exclusively owned by the govt.
- in which the private sector could supplement the efforts of the public ~~sector~~. sector taking the sole responsibility for starting new units.
- remaining industries completely private

→ The industries in the 3rd category were allowed to obtain a license from the government.

→ This policy was used for promoting industries in the backward region, and it was easier to obtain a license in the backward region.

→ Some more facilities were also given like tax benefits, electricity at concessional rates.

→ The main objective of this policy was to promote regional equality.

Small scale industry.

→ in 1955, the village and small scale industries committee, also called karve committee was established.

→ The aim of this committee was to use small scale industries for promoting rural development

→ A small scale industry is defined with reference to the maximum investment allowed on the asset of a unit

→ in 1950 this limit was ₹5 lakh, and at present it is ₹1 crore.

→ These SSI's are more labour intensive.

→ Some products were reserved for these industries.

→ They were also given concessions such as lower excise duty and bank loans at lower interest rates.

TRADE POLICY : IMPORT SUBSTITUTION.

→ in the ~~first~~ seven plans, trade was characterized by, what is commonly called an ~~invert look~~ inward looking strategy.

→ it is also called import substitution.

→ this policy aims at replacing imports with domestic production.

→ Through this policy, the govt protected the domestic industries from foreign competition.

→ Protection from imports took 2 forms.—

~~tarrif~~ tariff: A tax on imported goods which make imported goods more expensive

Quotas: The quantity of goods which can be imported.

→ These measures restrict imports and therefore protect the domestic firms from foreign competition.

→ The Policy of protection was based on the fact that Industries of developing countries cannot compete with that of developed countries.

Effect of policies on Industrial development

→ The proportion of GDP contributed by the industrial sector increa from 13 percent to 24.6 percent from 1950-51 to 1990-91

→ The rise in the industries share of GDP is an important indicator development.

→ The annual growth rate of the industrial sector during the 1950-51 1990-91 was 6%.

→ Indian Industries expanded from cotton textiles and jute and diversifiy with various segments by 1990. ~~due~~ due to interference of public sector.

→ The proportion of SSIs give ~~oppt~~ opportunity to those people who did not have capital to start large enterprises.

→ ~~Production~~ Protection from foreign competition enabled indigeneous industries in the areas of electronics an

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automobile sectors.

→ Initially, there was monopoly of Public sector on certain goods & services. For example, telecommunication services, ~~establishment of modern bread~~.

→ ~~Another example~~ is establishment of modern bread. A bread manufacturing firm which was sold to the private ~~public~~ sector in 2001

→ ~~After stating~~ This was a difficult decision to segregate industries into Private & Public sectors. Therefore, at present the public sector has full control over national defence supplies.

→ Many public sector firms incurred huge losses and a source of drain of the nation's limited resources but continue to run for the sake of employment.

→ Private firms enter into the market but to prevent competition they need to obtain a license to start an industry.

→ A permit license Raj enabled so as to prevent certain firms from becoming more efficient.

→ The import substitution policy was criticized on the ground that the Indian consumers had to purchase whatever the Indian Producer produced.

→ However the Public sector made policies and developed ind for the welfare of the people and not to earn profits.

→ All these problems and conflicts called for a change of policy which lead the govt to introduce a new economic policy.