INTERNATIONAL JOURNAL OF RESEARCH CULTURE SOCIETY
Monthly Peer-Reviewed, Refereed, Indexed Journal
Volume - 06, Issue - 11, November - 2022

ISSN: 2456-6683
[Impact Factor: 5.743]
Publication Date: 25/11/2022

DOIs:10.2017/IJRCS/202211006 --:-- Research Article

A SNAPSHOT OF INDIAN ECONOMY @75

SANJOK LOHAR

Assistant Professor, Department of Economics, Maheshtala College, Kolkata, India
Email - s16sanjok@gmail.com

Abstract: *This paper aims to analyze the growth of India's major economic sectors since its independence. India was severely poverty stricken at the time of its independence as a result of the British Empire's ongoing deindustrialization. Thus, gaining independence marked a turning point in India's economic history. In 1947, India had a GDP of just 2.7 lakh crore, or 3% of the world's total GDP. The growth rate of Independent India up until the 1980s seemed to be rather normal. Prime Minister Jawaharlal Nehru's preference for Fabian socialism led to the centrally managed "licencing raj," which also slowed down the growth rate of the Indian economy. Since the late 1980's, India's economic and social standing have improved significantly. India's transformation from mostly an agricultural-based economy to one of the fastest-growing economies in the world is partly attributable to the neoliberal economic reforms implemented under the Narasimha Rao regime. India now has a thriving manufacturing, technology, and service sector and is currently the fifth-largest economy in the world. Although the country's growth since 1947 is unquestionably commendable, it has sadly not spread evenly across the entire nation.*

Key Words: *Economic sectors, deindustrialization, GDP, License raj, socialism, economic reforms.*

1. INTRODUCTION:

The 15th of August 2022 marked India's 75th anniversary of independence. It was a momentous milestone and a matter of great pride for all Indians as we commemorated the nation's illustrious past, its people, culture, and accomplishments. In this context, it is worth looking back at how far the nation has come in such a short span of time. India was one of the largest economies in the world, for about two and a half millennia starting around the end of 1st millennium BC and ending around the beginning of British rule in India [1]. By the time India attained independence in 1947; colonial rule had turned the once-proud "bird of gold" into one of the world's poorest nations. Cambridge historian Angus Maddison's work shows that India's share of world income shrank from 22.6% in 1700—almost equal to Europe's share of 23.3%—to 3.8% in 1952 [2]. On the eve of independence, nearly 72.7% of the working population was employed in agriculture, making it the first profession to be considered as a source of income and employment in the Indian economy. The industrial sector, on the other hand, employed just 10.2% of the working population. The service or tertiary sector of the firm employed 17.2% of the total workforce. With 340 million population, India had a very alarming 12% literacy rate at the time of its independence. With such high rates of poverty, illiteracy, food shortages, and resource exploitation around the time of independence, it will be interesting to see how the Indian economy developed to become the fastest-growing economy in the world.

2. A BRIEF ECONOMIC OVERVIEW:

Prior to the late 1980s, the rate of economic growth of independent India appears typical: the country's rate of increase of production per worker is well in the middle of the global distribution, and the values of its primary drivers of growth are typical as well. As a result, the growth-inhibiting consequences of the "licencing raj" that was brought about by former Indian Prime Minister Jawaharlal Nehru's inclination to Fabian socialism and central planning are constrained [3]. The development strategy of former Prime Minister Jawaharlal Nehru called for a dominant role for the government as an all-pervasive entrepreneur and investor of private enterprises; which in a way led to the recommendation of a mixed economy in the Industrial Policy Resolution of 1948. India's first five-year plan, introduced in 1951, concentrated on agriculture and irrigation to increase farm productivity since the country was depleting its limited foreign reserves through the importation of food grains. The Harrod-Domar model, which tried to increase economic growth through larger savings and investments, served as its foundation. The plan worked; the economy grew at an annualised rate of 3.6%, above the target of 2.1%. The second five year plan (1956–1961), which was based on the Mahalanobis model, advocated rapid industrialisation with an emphasis on heavy industries and capital goods. The second five-year plan and the Industrial Policy Resolution of 1956, which was formerly regarded as India's economic constitution, helped to establish the licence Raj and set the way for the growth of the public sector. The race to industrialise swiftly had resulted in a significant reallocation of resources away from the agricultural economy. The second Plan saw a substantial drop of the agriculture outlay, to 14%. Inflation increased while food shortages got severe. Food grain imports reduced valuable foreign exchange reserves. The following war with China further exposed India's economic weakness. Lal Bahadur Shastri, Jawaharlal Nehru's successor as prime minister, reduced the function of the former Planning Commission while increasing the emphasis on agriculture and accepting a larger role for private sector and foreign investment.

In the 1960s, India faced a serious food scarcity and the threat of a coming mass famine. Food grain imports from the United States were draining the Indian government's foreign exchange reserves. Subsequently, the concept of a New Agricultural Strategy was adopted, which called for the use of high yielding variety (HYV) seeds to increase agricultural production. The term "Green Revolution" refers to the gradual increase in agricultural output that began in the late 1960s. Although it was a brilliant move in India's agricultural history, a number of structural and institutional obstacles prevented the new agricultural policy from reaching all regions of the country. To increase lending to other high-priority sectors and farm finance, 14 private banks were nationalized in 1969. As banks were compelled to open locations in rural areas, financial savings increased. The sixth five-year plan (1980–1985) was launched with the aim of restructuring the Indian economy through the elimination of price controls, the beginning of fiscal reforms, a revamp of the public sector, a reduction in import duties, and the de-licensing of the domestic industry, or in other words, the end of the licence Raj. The current account deficit was less than 1½ percent of GDP in the first half of the 1980s. Even though export growth was modest, the trade imbalance remained under control since a sharp increase in local petroleum production made it possible to reduce the need for energy imports. However, in the second half of the 1980s, current account deficits widened. [4] Research looks at the reasons underlying the 1991 currency crisis in India. Their research demonstrates that investor confidence and current account deficits both have a big impact on the steep depreciation of the currency rate. By the end of 1990/91, India's external debt, which was approximately $35 billion at the end of 1984/85, had nearly quadrupled to $69 billion. The middle –east crisis of 1990, fall in net export and rising political uncertainty during 1990-91 are attributable to current account deficits in the country. Investors lost faith in the Indian market as a result of the escalating economic and political unrest as well as the downgrading of India's credit rating by the credit rating agencies. As a result, in 1991, a comprehensive reform process was launched. According to [5], the economic reforms of 1991 resulted in a stronger growth path, reduced poverty, a more than comfortable external sector, and restored industrial growth, all of which were accomplished while the nation's finances remained stable. As a result of all these historic changes, India is now respected more widely, and perhaps more significantly, Indians from all walks of life now possess a higher degree of self-assurance.

3. PERFORMANCE OF KEY SECTORS DURING 1947-2022

3.1 AGRICULTURE:

At the time of independence, agriculture was the most important source of national income and employment in India. Agriculture and allied occupations provide a living for about half of all Indians. In 1947, agriculture contributed 54% of the India's GDP and accounted for 72% of the working population. Dependence on agriculture for income and employment is a feature of a backward and agrarian economy. In contrast, the share of agriculture to GDP at present is around 20%. Though the GDP share has decreased considerably the dependency on agriculture for employment has not seen a significant downturn. Agriculture is still a primary source of income for 58% of the India's population. India produced an estimated 314.51 million tonnes of food grains in 2021-22 as compared to about 50 million tonnes in 1947. India had an acute shortage of foodgrains on the eve of independence and had to import foodgrains in large quantity to feed its population. In order to achieve self sufficiency in foodgrains production, New Agricultural Strategy or Green Revolution was initiated in 1966-67. With the introduction of technology and High Yielding Variety (HYV) seeds in Indian agriculture, the production of foodgrains witnessed a rapid expansion. Improved agricultural productivity played a significant role in the improvement in overall performance of the economy. It not only helped GDP grow more quickly, but by providing enough raw materials, it also aided in the growth of the industrial sector. Increases in agricultural productivity were reportedly restricted to states like Punjab only as a result of structural and institutional barriers to the New Agricultural Policy's implementation. Irrigation and banking facilities were later developed in rural regions to ensure that the green revolution reached every region of India. Presently, India is the largest milk producer in the world and the second largest producer of rice, wheat, sugarcane, groundnut, vegetables, fruit, and cotton. It is also one of the top producers of spices, fish, poultry, livestock, and plantation crops. Advancements in science, Technology and innovations caused a multifold increase in agricultural productivity, from 135 million tonnes in 1950–1951 to over 1300 million tonnes in 2022–2023—the period when India's agriculture transitioned from a food-scarce to a food-exporting nation. The overall food grain production increased from 51 Mt in 1950-51 to over 314 Mt in 2021-22. The production of food grains increased over 6 times, horticultural crops by 11 times, fish by 18 times, milk by 10 times and eggs by 53 times since 1950-51, thus making a visible impact on the national food and nutritional security [6]. Production of most of the agricultural commodities has increased by 6 to 68 times with only 1.3 times increase in area (Table 1) [7].

Table 1. Production of agricultural commodities and cultivated area in the country in 1950-51 and 2021-22

Commodity	1950-51	2021-22	Times increase
Food grains (mt)	51	314	6.2
Vegetables and fruits (mt)	25	333	13.3
Milk (mt)	17	210	12.4
Egg (mt)	1.8	122	67.8
Fish (mt)	0.8	14.2	17.8
Net sown area (mt)	130	140	1.1
Gross sown area (mt)	150	198	1.3

Source: Indian Agriculture after Independence by Pathak, H., Mishra, J., & Mohapatra, T. (2019).

There is no denying that Indian agriculture has advanced significantly during the past 75 years of independence, but there is no room for complacency. The task of agricultural transformation of these areas is not easy. To give the farmer the complete package of support required, the development administration's operational efficiency must be greatly improved. However, the process has undoubtedly taken off, and more acceleration is to be anticipated. [8].

3.2 INDUSTRY:

At the time of independence, India was predominantly an agrarian economy. The state of the industrial sector was in total disarray at that time; it was highly backward with very poor infrastructures. When India declared its independence in 1947, its GDP was a mere 2.7 lakh crore accounting for a paltry 3 per cent of the world's total GDP. The industrial sector contributed only 11.8% to the country's GDP in 1947 as compared to 25.92% in 2020-21. The British Colonial rule in India never gave importance on the development of industries except for the development of railways; which they did to have easy access to the various natural resources from India. The transfer of resources from India to Britain adversely affected the industrial development in India. Cotton and jute production were the only two well-established industries in the country. On the eve of independence, due to a number of structural and economic limitations, authorities took the initiative and looked to industrialisation as a means of strengthening and sustaining the nation's economy. The Industrial Policy of 1945, Industry Policy Resolution, 1948 and Industries Development and Regulation Act, 1951 were different policies framed by contemporary policy makers for the development of industries in India. It was agreed in 1948 that the government would have complete and total control over all economically significant industries. The state had sole ownership of resources like steel, aircraft, aviation fuel, and coal. India's first five year plan, launched in 1951, focused primarily on agriculture was a success with the economy growing at an annual rate of 3.6 per cent, surpassing the target of 2.1 per cent. Prior to 1980, it was believed that the key to development was to concentrate on big, heavy industries that were subject to state control and central planning. This belief was based on the Soviet Union's perceived success. Along with import substitution, strong price controls, and strict limitations on private ventures, the policy also included these elements. The annual growth rate of the Indian economy had stagnated around 3.5% from the 1950s to 1980s, while per-capita income growth averaged 1.3%. In the 1980's the government followed limited liberalization policy and it is seen that the performance of the industrial sector as a whole coupled with the manufacturing sector has witnessed substantial growth in terms of output after the 1980s. India was still a relatively closed economy on all accounts till 1991. The acute balance of payments crisis in 1991 and the subsequent poor performance of the industrial sector eventually forced the policymakers to change the way they were using policy instruments and switch to a 'outward-oriented open economy model.

The post reform period up to 2000-01 was marked by considerable fluctuations and thus showed a total lack of consistency in industrial growth performance. The average annual growth rate of industrial production which was 7.8 per cent in the pre-reform decade (1981-82 to 1990-91) fell to 6.0 per cent during the period 1991-92 to 2000-01. An average yearly growth rate of 6.9% was observed between 2001 and 2010.

Table 2: Annual growth rate of industrial production in India from financial year 2013 to 2021

Financial Year	Annual growth rate (per cent)
2013	3.3
2014	3.3
2015	4
2016	3.3
2017	4.6
2018	4.4
2019	3.8
2020	-0.8
2021	-8.4

The average annual growth rate from 2013 to 2017 is further reduced to 3.7%, as shown in Table 2. Due to the COVID-19 epidemic, India experienced a statewide shutdown in 2020–2021 that disrupted with all social and economic operations. The data in the table demonstrates that the pandemic significantly impacted already-sluggish industrial production.

The results of economic reforms were not as fruitful as it was expected but it has created an environment which has helped all the sectors to grow and to be in a better shape than it was at the time of independence. Indian foreign exchange reserve has also seen a continuous jump after the implementation of the economic reforms. Indian forex reserves, which stood at Rs1,029 crore in 1950-51 increased to $1.2 billion in 1991 and now stands at $572.7 billion in 2022.

When manufacturing expansion outpaces GDP growth, it acts as a growth engine. China is a great illustration. Its rapid manufacturing expansion over the past 30 years has resulted in a five-fold increase in per capita income compared to India. In addition to fiscal and business-friendly policies, India has implemented a number of policy initiatives and reforms to speed up the expansion of the manufacturing sector. These include the Make in India initiative from 2014, Startup India from 2015, Atmanirbhar Bharat Abhiyan and the Production Linked Incentive Scheme from 2020, as well as the National Manufacturing Policy from 2011 (NMP), a lower corporate tax rate, GST, and other initiatives [9].

3.3 SERVICE SECTOR:

The services sector's significance in the Indian economy has continued to increase, with the sector now accounting for around 55 per cent of total size of the economy and GVA growth, two-thirds of total FDI inflows into India and about 38 per cent of total exports [10]. The service sector's contribution to the GDP of India in 1950-51 was 36%. Since 1950-51, the service sector has been the fastest growing sector in India. The service sector in India started to grow in the mid-1980 but the growth gained momentum when India initiated various economic reforms in 1991-93. It remains the engine of growth for India's economy and contributed 53% to India's Gross Value Added at current prices in FY22 (until January 2022). In contrast to other nations where economic growth resulted in a transition from agriculture to industry, India's growth history has been distinct; there has been a shift from agricultural to the service sector. Till 2019-2020 the growth trajectory of the service sector in India has been phenomenal as it has been increasing at an annual average growth rate of nearly 8% for the last few decades. It was only during the pandemic period in 2020-21 the service sector witnessed a contraction of 8.4%. According to the WTO (2021), the slowdown in global services was predominately due to restrictions on travel and tourism and reduction in transportation services, largely in the passenger segment. Now as the nationwide lockdown has been lifted the service sector is expected to grow at 8.2% in 2021-22.

In India, the services sector generates the most foreign direct investment. India moved up four spots from ninth place in 2019 to claim the fifth-largest share of foreign direct investment (FDI) in 2020, according to the UN Conference on Trade and Development's (UNCTAD) World Investment Report 2021. India received the largest annual FDI inflows of US$ 81.97 billion in 2020–21 [11].

Table: 3 Percentage share of sectors in India's Gross Domestic Product (from 1950s-2000s)

Sector	1950s	1960s	1970s	1980s	1990s	2000s
Agriculture	55.3	47.6	42.8	37.3	30.9	21.8
Industry	14.8	19.6	21.3	22.3	23.3	24.5
Services	29.8	32.8	35.9	40.3	45.7	53.7

Source: Author's calculation from different official data

GDP per capita of India has been continuously increasing since 1960,s. It was 82.1886027 USD in 1960, which has increased to 2,321.104 USD in Mar 2022. In spite of continuous rise in GDP per capita, India ranked 142nd by GDP (nominal) and 128th by GDP (PPP) on a per capita basis, according to International Monetary Fund (IMF). A GDP per capita of 2,321.104 USD puts India under Lower Middle Income Country (LMIC). The total foreign investment in India in 1949 was Rs 256 crore, at the time of independence. In 2020-21, India received a record US$ 81.72 billion in Foreign Direct Investment. At the same time, external debt in India increased to 620700 USD million in the first quarter of 2022 from 614900 USD Million in the fourth quarter of 2021**.**

Although the service sector continues to contribute the most to the nation's GDP, future worries revolve largely around the proportion of the labour force it employs and the type of jobs it offers. Around one-fourth of the workforce was employed in the service industry in 2016–17. Less than one-third of India's workforce held employment in this industry as of 2019. In the top 15 countries that produce services, India's service sector generated the lowest level of employment, according to the Economic Survey report 2016–17.

4. CONCLUSION:

The reality that India now is different from what it was at independence persists in spite of these opposing viewpoints. In almost every field, including infrastructure, education, healthcare, research, and technology, India has made progress. As a result of widespread vaccine coverage, gains from supply-side reforms and regulatory liberalisation, strong export growth, and the availability of fiscal space to enhance capital spending, India's GDP is predicted to grow by 8–8.5% in 2022–2023.

REFERENCES:

1. Paul Bairoch (1995). Economics and World History: Myths and Paradoxes. University of Chicago Press. p. 95. ISBN 978-0-226-03463-8
2. https://mantraa.com/2021/08/16/journey-of-indias-economy-from-1947-to-2021/
3. DeLong, J. B. (2003). India since independence: An analytic growth narrative. *In search of prosperity: Analytic narratives on economic growth*, 184-204.
4. Cerra, V., & Saxena, S. C. (2000). What caused the 1991 currency crisis in India?. *IMF Working Papers*, *2000*(157).
5. Mohan, R. (2006). Economic Reforms in India: Where are we and where do we go?. *Institute of South Asia Studies, Singapore*, *10*.
6. Pathak, H., & Ayyappan, S. (2020). Sustainable agriculture in a changing world. *CURRENT SCIENCE*, *119*(11), 1731-1732.
7. Pathak, H., Mishra, J., & Mohapatra, T. (2019). Indian Agriculture after Independence.
8. Ahluwalia, M. S. (1988). India's economic performance, policies and prospects. *The Indian Economy: Recent Development and Future Prospects" Oxford University Press, Delhi*.
9. https://www.thehindubusinessline.com/opinion/why-is-industry-in-a-low-growth-trap/article65429796.ece
10. Chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.indiabudget.gov.in/budget2020-21/economicsurvey/doc/vol2chapter/echap09_vol2.pdf
11. Economic Survey Report 2021-22