Indian Economy

Essay No. 01

After independence, India chartered a path of economic development based on mixed economy, building a new industrial structure around the public sector and a closely monitored, regulated and controlled system where government played the role of licenser in the process of building industry.

There were few hiccups in between. In the late 70s Mrs. Indira Gandhi brought in small doses of liberalization. In the mid 80's Rajiv Gandhi did likewise but the real change came in 1991 when economic crises were looming large on the horizon.

India's economy could be termed as a developing economy which is characterized by the co-existence, in greater of lesser degree, of utilized or unutilized manpower on the one hand and of unexploited and exploited natural resources on the other.

A developing economy bears the common features of technological backwardness at low per capita income coupled by widespread poverty, heavy population pressure, low grade productivity, high unemployment, low level utilization of country 's natural resources, rigid social structure, predominance of old beliefs, lack of opportunity for capital formation, pre- dominance of agriculture and scanty participation in international trade etc.

But all this is amidst a possibility of economic development, small pockets of high rates of economic growth and affluence.

It is gain saying truth what the world economy has experienced that colonization directly lead to the exploitation of the colonized country by the colonial rulers.

Colonization is also a factor for the underdevelopment of a country's economy. India was a victim of the colonial feature of economic exploitation for more than hundred years.

The British colonial exploitation in India can be broadly divided in three periods. They are (i) the period of merchandised capital, (ii) the period of industrial capital which leads to the drain of Indian wealth for the interest of British industry and (iii) the period of financial capital.

During British period foreign capital flowed into Indian. However, in real terms those capitals were not according to the proper needs of Indians and directly helped the capital growth of the British.

The overall impact of British rule in Indian economy can be summed up as stagnation of per capita income ever a long period of time, high priority to the traditional method of agricultural activates, repeated famines and acute poverty of handicrafts and traditional village industries defective land holding and erroneous implementation of zamindari practices etc.

The basic aim of British administration in India was to transform Indian subcontinent as a consumer market for British furnished good, Technological up – gradation and development of infrastructure as well as social infrastructure were negligible.

During the independence Indian economy has almost all the features of an underdeveloped economy. In the last fifty years of self-rule, a lot of policy initiative has been taken up by the government of India is upgrade the economic base of the country.

Still Indian economy is gripped by poverty, population explosion, backwardness both in agriculture and industry, low grade technological development, high unemployment and wide difference between the high- and low-income levels. Now in India incidence of poverty is coexisting with sophisticated nuclear technology.

The policy measures taken within the last five decades metamorphosed Indian economy to break the stagnant per capita income to achieve self-sufficiency in food grain production.

Indian economy is a unique blend of public and private sector otherwise known as a mixed economy. It is also a dualistic economy both modern industry and traditional agricultural activates exist side by side.

The mandatory economic right which the constriction promises are (i) equality of opportunity unemployment or appointment to any office irrespective of race, caste and sex, (ii) all the citizens of India shall have property or carry on any occupation, trade business, (iii) right to acquire private property by the state with compensation paid under the procedure established by law, (iv) ban on begging, child labour and trafficking of human beings.

The federal economic structure of India includes the central government and the state government within a unitary system. Demarcations of responsibilities are divided between the central and state governments. However, the residuary power is vested with the central government.

Besides finance commission, other economic commissions are set-up by the central government time to time to look after the parity of resources distribution among the states. Annual budgets (both general and railway) and five-year plans aye the backbone of India's economic policy initiatives.

Indian Economy since Independence – after India's independence long spell of stagnation was broken with the introduction of economic planning. Since 1950s net national product at factor cost had arisen from Rs. 40,454 crores to 11,224 crore in 1999-2000.

The growth of national income was 3.8 per cent. India's per capita income has been running since 1950-51. India's per capita income at current price is Rs. 66,119

Apart from the growth in quantitative terms, there have been significant changes in India's economic structure since independence. During the second plan priority was acceded to capital intensive manufacturing units. These industries now account for more than fifty percent of the industrial production. The transport system in India over the past four decades has grown both in term s of capacity and modernization. Then road network is one of the largest in the world as a result of spectacular development of roads under various lanes.

The total road length comprising national high ways state high ways and other road accounted for 24.66 lakhs km in 1996-97 progress of shipping, railways and civil aviation has equally been impressive.

Thought the country is presently facing an energy crisis but this sector has also gained much in terms of production. Similarly, irrigation facilities in the country have increased raising irrigated area.

Since independence significant reformation has taken place the banking and financial sector of India. The process of nationalization was initiated after independence.

First the Reserve Bank was nationalized in 1949, thereafter in 1995 the Imperial Bank of India, a leading commercial bank of that time, was nationalized and renamed the state Bank of India.

In 1969, fourteen big commercial banks were nationalized. This act of government undermined the control of big capitalists on the finance capital.

From the above argument we can conclude that the Indian economy is no longer caught in low level equilibrium trap.

(1000 Words)

Essay No. 02

Indian Economy

Although the rising oil prices crashed the U.S. economy during 2007, emerging markets India and China clocked some record growth. China's growth at 11.5% seems likely to be kept up in 2008, and India seems poised to maintain the high rate of GDP growth even if it slows down a bit from last year's 9%.

The start of 2008 has seen the U.S. go into recession. Globalisation has meant that the effects of U.S. recession will most definitely be felt by other parts of the world as well. The Indian stock market did a classic knee jerk reaction, with the SENSEX index recording a drop of 2000 points in one day itself. Despite the reaction of the investors, the Indian prime minister reassured the people that India's fortunes are not hitched to the US economy. The rapid growth that industry has seen; the record profits booked by the corporate sector are reasons enough to believe that the Indian economy can now stand on its own. However, even as the GDP is a record 9% the escalating pressures of inflation loom high over the horizon and one is inclined to believe that the interest rates are going to rise. The escalating cost price of capital is already beginning to deplete retail and corporate borrowing appetites around the country.

The Indian economy will definitely feel the pressure of the U.S. slowdown. It could mean that the 9% growth rate might drop to maybe 7% this year. This could lead to the arrest of industrial growth. It's happened before- a two percentage drop in growth rate. In the years following the 1994-1997, Asian financial crisis led to exports crashing, new plants set up in anticipation of exporting went bust, and the banks that had lent them the money went bust as well. However, with lower borrowing costs and healthier debt-equity ratios the Indian companies seem much better equipped to handle a slump this time around.

Despite the rising costs of inflation there are several who continue to be "bullish on India." India's open-door policy has meant that there is a large opportunity for foreign investors to invest in India. The Indian finance minister P. Chidambaram remains optimistic about India's dream run. He has hinted at income tax cuts in the budget for the year 2008-2009 fueled by the dramatic growth in direct tax collections in the year 2006. Tax collections jumped 40% in 2006 and are expected to be 42% higher in the year 2007 translating into a rise of Rs. 90,000 crores just in taxes.

To maintain the current 9% growth rate India needs an investment of close to 475 billion dollars in infrastructure in the next five years of which 120-130 billion dollars are expected to come from foreign investment. India has exceeded the goal of 10 billion dollars of foreign direct investment last year and seems poised to maintain the same growth rate. However, there is much concern over the inflation driven by high oil, commodity and food prices which the government seems to be having a tough time keeping a check on. The world's eyes are focused on India now. The role of the Indian economy in the year 2008 will be important in charting the further course of development of the world's largest democracy.

(550 Words)