# Indian Economy on the eve of Independence DEVELOPMENT EXPERIENCE 1947 – 90 AND ECONOMIC REFORMS SINCE 1991

**Agricultural Sector on the eve of independence -** The Indian agricultural sector (pre-independence) has identified three main factors, these factors pointing to the decline of Indian agriculture and its instability.

- Low productivity
- High level of risk
- A complex between landowners and landowners.

Factors that caused the decline and decline of Indian agriculture during British rule

- Payment of land revenue under British Raj
- Compulsory agricultural sales

**Industrial Sector-** "Systematic de-industrialization" is a term that describes the state of the industrial sector during British rule. It meant two things

- The collapse of the world-famous traditional handicraft industry due to the discriminatory policies of the British government.
- Negative growth of modern industry now due to lack of investment opportunities.

Dual motives behind the system. (Industrialization during the British Empire in India)

- Exploiting India's raw material resources and key products. It was necessary to meet the emerging needs of industrialization after the industrial revolution in Britain.
- Utilizing India as a potential market for British industrial products.

Foreign Trade India had occupied a prominent position in the realm of foreign trade, dating back to antiquity. But British rule in India ended the empire.

**Destruction of Indian Resources**

Large administrative costs were incurred by the British Government to manage their colonial ale in India. And great expense was made by the British Government to fight wars in pursuit of their policy of imperialism.

**Demographic Condition**

Demographic conditions during the British occupation reflected all aspects of the fragile and backward economy. Both the birth rate and mortality rate were as high as about 48 and 40 per thousand respectively.

**Occupation Structure**

Substantial dependence on agriculture as proposed by the labour camp on the eve of independence means limited access to land per head for farmers. Agriculture was therefore widely regarded as a means of subsistence and partly as a source of profit.

**Infrastructure**

Infrastructure refers to the elements of economic transformation and the elements of social change that serve as the foundation for a country's growth and development. Infrastructure development is a precondition for economic and social development.

The world economy includes all production, distribution or economic activities related to people and determine the standard of living. On the eve of independence the Indian economy was in a very precarious position due to the existence of the British colonial empire.

The British used to make policies in favour of England. The sole purpose of the British was to improperly enrich itself at the expense of India's economic development. Thus, in 1947, when the British handed over power to India, we inherited a crippled economy.

**National Income and per capita Income of India**

Under the Colonial Empire There were no attempts by the colonial government to measure the national income and capital of India. Other individual attempts were made to measure such earnings but yielded inconsistent and consistent results. The contribution of VKRV Rao and Dadabhai Naoroji is considered the most important in this context.

**Low Economic Growth under the Colonial Empire**

India was an independent economy before the advent of the British Empire. The British, however, ruled for more than 200 years. The British developed policies that protected and promoted the economic interests of their country. They have transformed India into a supplier of goods and a buyer of finished goods from British factories. Such policies have had a profound effect on the Indian economy.

In this context, we will discuss the conditions of certain sectors that were most affected by the existence of the colonial empire, namely the night before independence.

**State of Agricultural Sector-** Agriculture was the main source of livelihood for most Indians, and about 85 per cent of the country's population lived mainly in the villages and obtained direct or indirect agricultural subsistence.

Despite such a large proportion of people relying on agriculture, directly or indirectly, the sector has been subject to on-going instability and deterioration, as the following points show.

- Low productivity, i.e. the output per hectare of land was very low. This led to a lower level of productivity, despite the large uncultivated area.
- High Vulnerability Levels Agriculture was vulnerable to climate change and was severely hampered by inclement rains. Light rains often led to lower productivity and crop failure. No attempt has been made by the British Government to provide farmers with a permanent source of irrigation.

The reasons for the state of the agricultural sector were

**(i) Land Revenue Plan-** the British introduced the medal system. Zamindars are recognized as the eternal owners of the earth. The Zamindars had to pay a fixed amount to the government as a proceeds of the land and they were completely free to give as much to the landowners as possible.

Their main interest was the collection of rent regardless of the economic status of the farmers and this led to misery and social tensions among the latter.

Apart from this there are two other programs namely, Ryotwari and Mahalwari were prevalent.

**(ii) Lack of Resources-** Because the tenants had to pay a large rent, called 'Lagaan'; they did not have any other money left in order to provide the necessary agricultural inputs or to provide irrigation facilities. This reduces agricultural productivity.

**(iii) Agricultural Trade-** Commerce of Agriculture means moving from farming for personal use to farming for sale in the market. It also refers to the cultivation of cash crops such as cotton, indigo, etc. As a result of agricultural trade, there has been further evidence of increased yields of cash crops in some parts of the country. But this did not help to improve the conditions of Indian farmers.

Instead of producing food crops, farmers produced cash crops, which would eventually be used by British industries.

**State of Industrial Sector-** In pre-British times, India was well known for its handicrafts, in the field of cotton and silk fabrics, metals and gemstones, etc. These products enjoyed a global market based on the quality of quality. Used furniture and high levels of craftsmanship.

But the British people are following a policy of systematic deregulation by creating conditions that allow for the collapse of the handicraft industry and not taking any steps to develop a modern industry and degrading India from being a manufacturer of raw materials and importing finished goods.
The following points illustrate what the state of the industrial sector is all about before independence
1. Deterioration of the Craft Industry: The traditional Indian handicraft industry enjoyed a global reputation, but the poor British rule in India led to the decline of the Indian handicraft industry. The British have adopted the following policies to systematically destroy the handicraft industry.

- Discriminated State Tax Policy The British followed discriminatory tax policy by allowing excise duty on raw materials from India (to provide for the needs of their industries in Britain) and import duty on British industrial products (to promote British goods in India) of handicrafts. As a result, Indian handicrafts began to lose their domestic and foreign markets.
- Competition from mechanical products manufactured products from Britain was cheaper and better in quality than handmade products. The competition has forced many artisans to close their businesses.
- Introduction to Railways in India the British introduced Railways in India, in order to expand the market for their low-cost industrial products. As a result, demand for high-value handicrafts began to decline, thus leading to the collapse of the handicraft industry.

2. Slow Growth of the Modem Industry: Less than the second half of the 19th. In the century, modern industry showed little growth. This development was complete with the establishment of the cotton and jute textile industries.
Later, the steel and metal industries began to emerge in the early 20th century.
In this context, the Tata Iron and Steel Company (TISCO) were founded in August, 1907 in India. It established its first plant in Jamshedpur [Bihar, now Jharkhand].
However, these industries were the result of private efforts. State participation in the modem industrial process was very limited, as can be seen in the following points

- Moderate Growth of Public Sector Enterprises Public sector enterprises such as railways, power, post office and telegraph were detained in areas that would increase the size of British commodity markets in India.
- Reduced Industrial Development The industrial growth slowed, in such a way that the consumer goods industry was not sufficiently supported by the large goods industry.
- Lack of Basic and Difficult Industries Nothing is given priority in the development of basic and heavy industries. Tata Iron and Steel Mills was the only major industry in India.

**Textile Industry in Bengal**
Muslin is a type of cotton fabric that originated in Bengal, mainly, in and around Dhaka (now the capital of Bangladesh). Daccai Muslin had gained international acclaim as the best type of cotton fabric.
The best varieties of muslin were called malmal. Foreigners often referred to it as malmal shahi or malmal khas, meaning that they were clothed or proper, royal.

**Status of Foreign Trade-** India has been an important trading nation since ancient times.
But when restrictive export, trade and tax policies were imposed by the colonial government, there was a negative impact on the formation, formation and volume of Indian foreign trade.
The following have been the reasons for the negative growth of foreign trade
1. Supplier of Basic Products and Importer of Completed Goods
Under colonial rule, India became a supplier of original products such as raw silk, cotton, wool, sugar, indigo, jute, etc. and also traded in finished goods such as cotton, silk and woollen garments and large commodities such as simple indoor machinery. British factories.
2. British Monopoly Control
Britain eventually came to control itself over India exports and exports. As a result, more than half of India's foreign trade was banned by Britain and some were allowed by a few other similar countries; China, Ceylon (Sri Lanka) and Persia (Iran). The opening of the Suez Canal in 1869 further strengthened British control over India's foreign trade.

3. <u>The Destruction of Indian Resources</u>
An important feature of foreign trade during the colonial period was the production of large export residues. But this residue came at a high cost to the country's economy few important commodities such as food grains, paraffin, were rarely found in the domestic market. Also, this surplus money was not spent on any development work in India. Instead, it was used to maintain the British colonial system or to carry the military costs taught by the British.
All this, led to the extermination of the Indian wealth.

**Occupational Structure Status-** During the colonial period, job creation in India showed its decline. The agricultural sector accounted for the largest share of the remaining 70-75% of the workforce and the manufacturing and services industry accounted for only 10 and 15-20% respectively.
There have been growing regional tensions in which a few provinces such as Orissa, Rajasthan and Punjab see an increase in agricultural workers while the regions that were part of the Madras presidency. Bombay and Bengal have seen a decline in the percentage of agricultural workers.

**Infrastructure Status-** The infrastructure includes these industries that contribute to the growth of other industries. Under the colonial period, basic infrastructure such as trains, individual ports, post offices and telegraphs.
However, the real motivation for this development was not to provide people with basic services but to meet the different needs of the colonies.
The state of infrastructure under colonial rule can be understood with the help of the following points

**1. Roads**

Roads built before independence was not suitable for modern transportation. It was very difficult to reach rural areas during the rainy season.
Roads have been built to fulfil the purpose of mobilizing troops within India and to transport raw materials from the countryside to the nearest railway station or port for export.

**2. Rail**

The British rulers introduced railways to India in 1850 and it came into operation in 1853. It is considered an important part of the British.
Trains have affected India's economy in two ways

- It enables people to take longer trips and thus break local barriers and traditions.
- Promoted trade in Indian agriculture which negatively impacted the independence of the rural Indian economy.

Therefore, the social benefits provided by Railways outweighed the significant losses of the national economy.

**3. Water and Air Transport**

The colonial rulers took steps to improve water transport. Inland waterways, at times, also seemed as insignificant as the coastline of Orissa. The main purpose of their development was to serve the interests of British colonialism.
The colonial government re-established the aviation system in 1932 by establishing Tata Airlines. Thus, in this way it opened up aviation industry in India.

**4. Communication**

The modern postal system began in India in 1837. The first telephone line was opened in 1857. The introduction of an expensive telegraph system in India served the purpose of law and order.

**Demographics Condition**

Various details about the population of British India were first collected in the 1881 census. Prior to 1921, India was in the throes of a revolution. The second phase began after 1921. However the total Indian population or population growth rate at this stage was very high. Although suffering from some limitations, it reveals the inequality in the growing population of India. The population grew at an average rate of 1.2% until 1951.

**On the eve of independence the human condition was as follows**

• Total literacy rate was less than 16%.
• Women's literacy rate was significantly lower at 7%.
• Public health facilities were not accessible to the general public or, if any, were very limited. The infant mortality rate was 218 per thousand compared to the infant mortality rate of 63 per thousand.
• Life expectancy was as low as 44 years compared to the current 66 years.
• Both the birth rate and mortality rate were very high at 48 and 40 thousand people respectively.

**Economic Planning:** Means the use of national resources for various development activities in line with national priorities.

**Planning Goals in India**
- Long Term Goals (To be achieved in 20 years)
- Short Term Terms (To be achieved within five years)

**LONG-TERM GOALS ITS OBJECTIVES**
1. Modernization - Adoption of new technologies and changes in social perception
2. Confidence - Reducing dependence on purchases.
3. Economic Growth - Increased productivity of goods and services.
4. Equity - Reducing income and wealth inequality
5. Full-Time Employment - Refers to a situation in which all people in the working age group are doing meaningful work.

**SHORT-TERM GOALS / OBJECTIVES OR OBJECTIVES FOR FIVE-YEAR PROGRAMS**
Short-term goals vary from program to program according to current country needs. For example the first phase (1951-56) focused on high agricultural productivity and the second phase (1956-61) shifted the focus to agriculture. In India growth and equity are the goals of all five-year programs. The goal of the current five-year plan (12, 2012-17) INCLUSIVE DEVELOPMENT.

**AGRICULTURE**
**Key Features of Indian Farming**
1) Low productivity
2) Hidden inactivity.
3) Relying on rain
4) Subsistence farming - the farmer's goal is to get food so that his family does not have to earn a living.
5) Traditional ideas
6) Small goods
7) Reversible technology.
8) Tenant Conflict.

**Indian Agricultural Problems**
a) Common Problems
   i) Human pressure on the earth
   ii) Degradation of land
   iii) Subsistence farming
   iv) Public place
   v) Loss of plants - pests, insects, flood framework etc.
b) Institutional Issues.
   i) Small and scattered goods.
   ii) Misuse of land reform.
   iii) Lack of credit and marketing resources.
c) Technical Problems.

i) Lack of irrigation equipment.
ii) Incorrect cropping pattern.
iii) The old production method.

**Reforms in Indian agriculture**

- Institutional reforms are also called Land Reforms.
  I. Termination of mediators.
  II. Rental management.
  III. Integration of residential areas.
  IV. Roof above ground.
  V. Co-operative farming
- General changes.
  I. Extension of irrigation facilities.
  II. Provision of credit
  III. Regulated markets and cooperative marketing organizations.
  IV. Support pricing policy.
- C. Technological Changes or Green Transformation
  I. Use of HYV seeds
  II. Use of chemical fertilizers.
  III. The use of pesticides and insecticides to protect plants
  IV. Scientific crop rotation
  V. Improved farming practices.

**The achievements of Green Revaluation**

- Increased productivity and productivity.
- Increased income.
- The rise of commercial farming.
- Impact on social change - the use of new HYV seed technology, fertilizer etc.
- Increased employment.
- Great Acreage Increase

**Failure of Green Revaluation**

- Restricted to limited crops and to areas such as the two wheat and rice growing regions such as the Punjab, Haryana, U.P. and Andhra Pradesh.
- Slow removal of poverty.
- Neglected global changes.
- Increased income disparity between small and large farmers
- Environmental degradation.

**INDUSTRY-** The Role of the Industrial Sector in INDIA

Industrial development is essential for the overall growth of the country. The following points highlight the importance of industry and economy:

1. It provides a function.
2. Increases national currency.
3. Improves regional balance.
4. It leads to modern practices.
5. It helps to modernize agriculture.
6. It leads to sustainable development.
7. High growth potential.
8. Export volume volume key.
9. The growth of civilization.
10. Changes in the structure of the economy
11. Source of Employment
12. Transfers Power to the Growth Process

Industrialization is a pre-economic downturn.

**INDUSTRIAL DEVELOPMENT FROM FREEDOM 2010-11**

Industrial sector share in GDP increased to 20% in 2013-14.
The following important changes have taken place:
(i) Development of infrastructure such as power transmission, communications, banking and finance, skilled and competent staff.
(ii) Significant progress in the field of research and development.
(iii) Expansion of the public sector.
(iv) Construction of a large goods industry.
(v) Growth of non-essential consumer goods industry.

**PROBLEMS OF INDUSTRIAL DEVELOPMENT IN INDIA**

1. Sector inequality- Agriculture and infrastructure have failed to provide support to the industrial sector.
2. Regional inequality - Limited to a few provinces.
3. Industrial Disease- which raised the issue of unemployment.
4. High cost of industrial product due to lack of healthy competition.
5. Dependence on Government - to reduce taxes or levies to make importation easier.
6. Misconduct of the public sector
7. Under power consumption.
8. Increased cash flow rate

**ROLE OF THE PUBLIC SECTOR/ GOVT. IN THE INDUSTRIAL DEVELOPMENT**

Direct state intervention was considered important because of the following factors:
1. Lack of funding and private sector.
2. Lack of motivation among Pvt. Entrepreneurs want because of the limited size of the market.
3. The social welfare pattern - the main objective of Government. Job production is profitable.
4. Infrastructure development.
5. Development of reversible areas.
6. Preventing the focus of economic power.
7. Encouraging foreign exchange.

**INDUSTRIAL POLICY RESOLUTION (IPR) 1956**

Industrial policy is an important tool that Government uses. Regulates industrial activities in the economy.
The 1956 resolution set out the following industrial policy objectives.
(a) Accelerating industrial growth.
(b) Developing complex industries.
(c) Expanding the public sector.
(d) Reducing income and wealth inequalities.
(e) To prevent the domination and accumulation of wealth and income in the hands of a minority of people.

**INDUSTRIAL POLICY INDICATORS (IPR) SIGNS of 1956**

Elements of the 1956 Industrial Policy decision were in place.
1. New Industrialization: Industries were divided into three schedules depending on the role of the state.
   a. Schedule A-17 industries listed in schedule a future development will be the responsibility of the state.
   b. Schedule B-12 industries were included in schedule B; the private sector can increase the efforts of the Public Sector, in which the state assumes responsibility for implementing new units.
   c. Schedule-C - some residual industries were left open to the private sector.
2. Depression in the cottage sector and small industries.

3. Licensing of industries: Industries in pvt. The sector can only be established with a license from the government.
4. Industrial permits-granted-pvt. Industrialists in the backyard of the country. Such as tax rebates and power supply approval rates.

**SMALL SCALE INDUSTRY (SSI) -** The small-scale industry is currently defined as one whose investment does not exceed Rs. 5 thousand.

**SIGNS OF SSI OR ROLE OF SMALL INDUSTRIES**
1. Work-focused work
2. Self-employment.
3. the most spent money.
4. Post a promotion.
5. Seed beds of large industries.
6. Demonstrates spatial flexibility.

**PROBLEMS**
1. Financial difficulties.
2. Lack of raw materials.
3. Marketing difficulties.
4. Out-dated machinery and equipment
5. Competition from major industries.

**FOREIGN TRADE**
During independence green goods were exported in bulk from India to Britain, on the other hand finished goods from Britain were imported into India.
Significantly our trade balance was favourable (exports> imports)
After independence India's foreign trade recorded a tangible change as.
(i) Decrease in percentage of agricultural exports.
(ii) An increase in the percentage of the share of manufactured goods in total exports.
(iii) Changes in foreign trade and foreign trade.
(iv) The demise of Britain as its main trading partner.

**TRADE POLICY**
In India's first seven-year five-year plans, trading was often referred to as an 'inward-looking' trading strategy.
This strategy is technically known as 'imports substitution'. Foreign exchange means replacing imports with a domestic product. Exports were protected by taxation and shares that protect local firms from foreign competitions. The impact of Internal Trade strategy in the domestic industry.
1. It helped to save foreign exchange by reducing imports.
2. Creates a secure market and a great demand for locally produced goods.
3. We are assisted in building a strong industrial base in our country that leads directly to economic growth.

**Criticism of import substituting strategy**
- It did not lead to growth.
- Lack of competition means a lack of modern development.
- The economic growth of an inefficient social economy.
- It did not lead to efficiency.

**INDUSTRIAL LICENSES-** Licensing is a tool to deliver rare resources in a pre-determined economic sector.
The Industries Development and Resolution Act (IDRA) were established in 1951.

**MAIN OBJECTIVES OF THE 1951 IDRA act**

- Management of industrial development in line with strategic priorities.
- To avoid domination by oneself.
- Balanced regional development.
- Prevent unnecessary competition between large and small industries.
- Effective use of foreign exchange services. Under this action the following was applicable.
    a. All organized industries must be registered with the government.
    b. The license must be obtained by all new industries.
    c. Govt. is authorized to evaluate the performance of any industrial activity.
    d. If the work continues to be mismanaged, the government. It can take its own bosses.

**CRITICISM AGAINST INDUSTRY LICENSE**

- There was an ado system for accepting or rejecting a license application.
- The level of techno economic analysis conducted by the Director-General of Technology Development was generally poor.
- The licensing policy has led to sub-use in many industries.
- In fact, the policy helped big business to accumulate economic power.

**RAJ PERMIT LICENSE-** Licensing authorities often licensed large corporations without consulting the applicants.

**Economic Reforms -** This was based on the idea that market forces would direct the economy in the direction of growth and development. Economic reforms began in 1991 in India.

**The Need for Economic Reforms**

- Increased funding shortages
- Invalid payment balance
- Gulf crisis
- Crossing into foreign exchange
- Price increases

**Liberalisation-** Economic freedom means its freedom from direct or material control imposed by the government.

**Economic Reforms under Liberalisation**

(i) Industrial Sector Changes

- Termination of industrial licenses.
- Non-reservation of production facilities.
- Expansion of productive capacity.
- Freedom of import.

(ii) Financial Sector Transformation- The liberalization means a radical change in the role of the RBI from the regulator to the financial sector assistant.

(iii) Changes in Finance- the changes in finance relate to government revenue and expenditure. Tax changes are a major part of financial transformation. Extensive taxes are divided

- Direct taxes and
- Indirect taxes

(iv) Foreign Trade Transformation includes foreign trade reforms and foreign trade policy reforms.

**Privatization-** Privatization is a general process of involving the private sector in the ownership or operation of a state-owned enterprise.

**Disinvesting-** Refers to a situation in which the government sells part of its PSU shareholding to private investors.

**Globalization-** It can be described as a process associated with increased openness, growing economic confidence and deepening economic integration in the global economy.
Policy Strategies Promoting International Trade in Indian Economy

- Increased equity limit for foreign investment
- Slight change
- Long-term trade policy
- Tax reduction
- Withdrawal of quantity limit

**World Trade Organization (WTO)**
The WTO was established in 1995 as an organization that follows the standard Trade and Tariff (GATT) agreement. GATT was founded in 1948 with 23 countries as a global trade organization.

**Positive Impact of LPG Policies (Liberation, Privacy and International Cooperation)**

- Strong economy
- Incentive for industrial production
- Lack of funding
- Inflation jaw
- Consumer dominance
- Flow of foreign private investment

**The Negative Impact of LPG Policies (Liberation, Privacy and Global Cooperation).**

- Neglected agriculture
- Urbanization of the growth process
- Economic colonialism
- Widespread procurement
- A side-by-side growth process
- Cultural erosion

During the reign of the Narasimha Rao Government (1991), India faced an economic crisis related to its foreign debt. The government could not repay the foreign loan; foreign exchange funds were not enough to pay off the debts. Prices of essential commodities were rising and imports were growing at an alarming rate.
As a result, the government launched a new set of economic transformation policies and a few economic reforms were also introduced in this regard to promote private trade, freedom and globalization.

**The Economic Crisis of 1991 and the Indian Economy Reforms**
Crisis in India was reached due to the poor management of the Indian Economy in the 1980s. Government revenue is not enough to meet rising costs. As a result, the government turned to borrowing to pay off its debts and fell into debt.
The deficit refers to the amount the government spends on its profits.

**Causes of Economic Crisis-** The various causes of the recession are given below

- Continued expenditure on government development programs did not generate additional revenue.
- Government has not been able to make enough money from internal sources such as taxes.
- Spending in areas such as the social and security sector does not provide immediate repayment, so there has been a need to spend all revenue efficiently, which the government has failed to do.
- Revenue from the activities of state-owned enterprises was also not too high to meet rising costs.
- Foreign borrowings and international financial institutions were expended to meet the needs of use and repayment of other loans.
- No effort is being made to reduce such expenditure and it has not been focused enough to increase exports to meet growing needs.

For the reasons mentioned above, in the late 1980's, government spending began to plummet in revenue so much that meeting borrowing costs became unstable.

**The Need for Economic Reform**

The economic policy pursued by the government until 1990 failed in many respects and plunged the country into an unprecedented economic crisis. The situation was so shocking that India's foreign exchange funds were enough to pay for two weeks of foreign exchange. New loans were non-existent and NRIs were issuing large sums of money. There has been a decline in confidence among international investors in the Indian economy.

The following points highlight the need for economic transformation in the country

- Increased funding shortages
- Bad Pay Balance
- Gulf crisis
- Price increases
- Poor performance of public sector units (PSUs).
- High level of funding shortfall.
- The collapse of the Soviet bloc.

**Emergence of New Economic Policy (NEP)**

Finally, India went to the International Bank for Reconstitution and Development, popularly known as the World Bank and the International Monetary Fund (IMF) and received $ 7 million in loans. International organizations expected India to liberate and open the economy through removhfg restrictions to private companies and remove trade barriers between India and other countries.

India agreed with the conditions of the World Bank and the IMF and had announced a New Economic Policy (NEP) that included many economic reforms.

The measures adopted in the New Economic Policy can be broadly divided into two group’s i.e.

- Strengthening Measures They are short-term measures aimed at correcting certain weaknesses that have arisen in the balance of payments and in order to control inflation.
- Structural Changes It is a long-term initiative, aimed at improving economic efficiency and increasing its international competitiveness by removing hardships from various parts of the Indian economy.

The various structural changes are classified as

- Liberalization
- Privatization
- Globalization

Payment Balance It is a program that records transactions in the global economy over a period of one year. Inflation it is a situation where the normal price of goods and services rises in the economy over time.

**Liberalist closed, Privatization and Globalization**

By introducing the concept of liberation, private equity and global trade, the government has revived the state of the Indian economy.

**Liberalization-** The construction of libraries was introduced with the aim of eliminating those barriers that became major obstacles to the growth and development of the various sectors. It is often described as a loss of government regulations in the country to allow private companies to conduct limited business activities. In the case of developing countries, the term refers to the opening of the international economic border and foreign investment.

Purposes of Liberation

The main objectives of the liberation policy are

- Increasing competition between local industries.
- Increasing foreign investment and technology.
- Reducing the country's debt burden.

- Promoting export and import of goods and services.
- Increasing market size.

**Economic reforms under liberalization**

Changes under freedom are being introduced in many places. Let's talk about them now
Industrial Changes
The following steps have been taken to curb the industrial sector

(i) Termination of Industrial Authorization Government has abolished the requirement for licensing of all industries, with the exception of five industries, namely industries.

- Alcohol
- Smoking
- Protective clothing
- Industrial explosives
- Harmful chemicals, chugs and medicines.

(ii) Public Sector Reduction The number of state-owned enterprises has been reduced from 17 to 8. That's right

- Trains
- Atomic energy
- Self-defence

(iii) Non-Reservation of Production Areas Production reserves reserved for SSI was cancelled.
(iv) Expansion of Production Capacity Manufacturers is allowed to increase their production capacity according to market demand. The license requirement was abolished.
(v) Export Freedom The business and production unit was granted the freedom to import large quantities to improve its technology.

**Financial Sector reforms-** The financial sector includes financial institutions such as commercial banks, investment banks, stock exchanges and foreign exchange markets.
The following changes were introduced in this field

- Reduction The Various Ratio Statutory Liquidity Ratio (SLR) was reduced from 38.5% to 25%.
- Cash Reserve Ratio (CRR) has been reduced from 15% to 4.1%.
- Competition for New Private Banking The banking sector was opened up to the private sector. This has led to increased competition and increased service to consumers.
- Changes in the RBI RBI’s role in the transition from ‘director’ to ‘assistant’.
- Reduced interest rate control Apart from savings accounts, banks has been able to set interest rates for themselves.

**Tax Reform / Currency Changes-** Tax reforms are related to changes in government tax and expenditure policies known collectively as its fiscal policy.
Medium and Simplified Tax Building Prior to 1991, national taxes were very high, leading to tax evasion. Changes in finance have facilitated tax formation and reduced tax rates. This reduces tax evasion and increases government revenue.

**Foreign Exchange Reform / External Sector reform**

Changes in foreign industry include changes related to foreign trade and foreign trade. The following changes were introduced in this field
(i) Depreciation of the Rupee Devaluation means a decrease in the value of the rupee against a particular foreign currency. In 1991, the rupee was reduced in value in order to increase exports and prevent imports.

(ii) Other Steps

- Import rates have been finalized.
- The import licensing policy was almost abolished.
- Import duties have been reduced.
- Export work was completely cancelled.

**World Trade Organization (WTO)**
The WTO was established in 1995 as an organization following the General Agreement on Trade and Tariff (GATT). GATT was established in 1948 with 23 countries as an international trade organization to regulate all international trade agreements by providing equal opportunities in all international markets for trade purposes. However this has had some problems with it.
The WTO was expected to establish a legal system in which countries could not set random limits on trade. Its main purpose was to increase productivity and trade for efficient use of land resources.
WTO agreements include {trade in goods and services to facilitate international trade by eliminating taxes and levies and providing better market access to all countries. Being an important member of the WTO. India has been at the forefront of clever laws and regulations and to protect the interests of developing countries.
India has maintained its obligations regarding trade liberation in the WTO by removing imports from imports and reducing prices.

**WTO functions**
- Facilitates the implementation, management and implementation of the objectives of multilateral trade agreements.
- Controls the 'trade review method'.
- Regulates 'rules and procedures for understanding, governing dispute resolution'.
- It is an international trade striker, oversees individual member trade.
- Trade disputes that cannot be resolved through bilateral negotiations are referred to the WTO 'court' for dispute resolution.
- Is a global trade management consultant. Its economist monitors the activities of the global economy and provides lessons on key issues of the day.

**Privatisation**
It refers to giving a greater role to the private sector thereby reducing the role of the public sector. In other words, it means the termination of ownership or management of a state-owned business.
It could also mean the withdrawal of industries that were previously reserved for the public sector.
State-owned companies (state-owned companies) are transformed into private companies in two ways
- With the withdrawal of government from the ownership and management of public sector companies.
- By way of cash withdrawals.

Privatization Forms
Different independent types
- Reduction of nationality When 100% ownership of productive assets is transferred to the private sector, it is called denationalization. Also known as strategic marketing.
- Partial Privacy When less than 100% or more than 50% ownership is transferred; it is a matter of private ownership of a shareholder. In this case, the private sector can be said to have significant independence in its operations. It is also known as partial sale.
- Deficit Privatisation / Token Privatization When a government issues up to 5 to 10% of its shares to meet a budget deficit, this is called a lack of private business or private token processing.

**Objectives of Privatization**
The most common and important purposes for private practice are
- Improving public finance.
- Raising funds by withdrawing funds.
- Reduce the work of the public sector.
- Increasing the effectiveness of government programs.
- Provide better goods and services to consumers.
- Bringing healthy competition to the economy.
- Opening the way for foreign direct investment (FDI).

**Navratnas and Public Business Policies**
In order to improve efficiency, focus on professionalism and enable them to compete effectively in a free international environment, the government identifies PSUs and declares them as maharatnas, navratnas and mininavratnas. They are given greater independence to manage and operate, in making various decisions to manage the company effectively and thus increase their profits. Extensive operational, financial and administrative independence has been granted to profitable businesses called mininavratnas.
In 2011, about 90 state-owned enterprises were appointed in various capacities.
A few examples of state-owned enterprises with the status quo are as follows
Maharatnas
- Indian Oil Corporation Limited
- Steel Authority of India Limited

Navratnas
- Bharat Heavy Electricals Limited
- Mahanagar Telephone Nigam Limited

Mininavratnas
- Bharat Sanchar Nigam Limited
- Airport Authority of India

**Globalization**
It means the integration of the world economy '"'with the world economy. Globalization encourages foreign exchange and foreign investment by private and institutional institutions.
Globalization is a complex one and is the result of a set of different policies aimed at transforming the world into a major interdependent and interconnected state. Global trade is trying to establish links in such a way that what is happening in India may be necessary for events that take place far away. It transforms one into one or creates a boundless world.

**Outscoring**
**An outcome of Globalization**
This is one of the most important effects of the glolisauon process. In outsourcing, the company hires general service from foreign sources, mosdy from other countries, which was previously provided locally or internationally such as legal advice, computer service, advertising, etc. In other words, outsourcing means getting the job done on a contract basis. Outside.
As another form of economic activity, exports have expanded, in recent times, due to the rapid growth of communication technologies and especially the growth of information technology (IT).
Many resources such as voice-based business processes (commonly known as BPOs or call centres), record keeping, accounting, banking services, music recording, film editing, book writing, clinical advice or even teaching are provided by advanced companies. Countries to India.
Most international companies and small companies, export their services to India where they can be obtained at low cost with reasonable logic and accuracy. Low wage levels and the availability of skilled workers in India have made it a global export hub for transformation.

**Economic Growth During the reform**
Economic growth is measured by Gross Domestic Product (GDP). GDP growth increased from 5.6% between 1980-91 to 8.2% between 2007-2012.
The main highlights of the economic growth during the transition are given below
- During the transition period, agricultural growth slowed. While the industrial sector reports volatility, the growth of the service sector has accelerated. This indicates that growth is driven mainly by the growth of the resource sector.
- Economic growth has led to a rapid increase in foreign investment and foreign exchange reserves.
- Foreign investment, including Foreign Direct Investment (FDI) and Foreign Investment Investment (FII), increased from about US $ 100 billion in 1990-91 to US $ 400 billion in 2010-11.

- There has been an increase in foreign exchange reserves from US $ 6 billion in 1990-91 to US $ 300 billion in 2011-12. In 2011, India is the seventh largest foreign exchange earner in the world.
- India is regarded as a successful supplier of automotive parts, engineering goods, IT software and textiles during transformation. Rising prices are also kept under control.

**Failure of Economic reform**

I-The Neglected Agriculture

There has been a decline in agricultural growth rate. This corruption is the root cause of the crisis in the country, which is reaching its climax in other parts of the world. Economic reforms have not been able to benefit the agricultural sector because

- Public investment in the agricultural sector especially in infrastructure including irrigation, energy, roads, market communication and research and extension have been reduced during the transition period.
- Removal of the fertilizer subsidy has led to an increase in production costs which has had a significant impact on young and old.
- Various policy changes such as the reduction of import duty on agricultural products, the reduction of the support price and the reduction of volume limits have increased the threat * of foreign competition in the former Indians.
- Foreign policy-focused agricultural strategies have shifted from domestic market production to foreign markets focused on investment rather than grain production.

II- Unequal Growth in the Industrial Sector

The industrial sector has registered unequal growth during this period. This is due to declining demand for industrial products for a variety of reasons

- Cheap imports reduce demand for industrial domestic goods.
- Globalization created conditions for the free movement of foreign goods and services that negatively affected domestic industries and job opportunities in developing countries.
- Adequate investment in infrastructure such as electricity supply.
- A developing country like India still has no access to the markets of developed countries due to high tariffs.

**The tragedy of Sirdlla**

The privatization of power supply in Andhra Pradesh has led to a sharp rise in electricity prices, which has resulted in the closure of many power looms in the small town, Sirdlla.

Fifty workers have killed themselves as a result of losing their livelihood.

II- Other Failures

In addition to the shortcomings mentioned above, some of the barriers to LPG policy have been:

- It has led to a focus on the city's growth process.
- It promoted economic colonialism.
- It has caused a proliferation of purchases.

It led to cultural erosion.

Q1. One of the following was high during the British rule over India:
(a) Literacy rate
(b) Female literacy rate
(c) Infant mortality rate
(d) Life expectancy

Q2. Farming in which crops are produced to provide for the basic needs of the family is called:
(a) Stagnant agriculture
(b) Subsistence agriculture
(c) Commercial agriculture
(d) None of these

Q3. Which of the following are 'land tenure systems?
(a) Zamindari system
(b) Mahalwari system
(c) Rotwari system
(d) All of the above

Q4. Commercialization of agriculture during British rule led to:
(a) More production of food crops
(b) Improvement in the economic condition of farmers
(c) More production of cash crops used by Britishers as raw material
(d) The aggregate area under cultivation expanded

Q5. Which industry received the major setback during the colonial rule?
(a) Cement
(b) Cotton textile
(c) Paper
(d) Iron and Steel

Q6. Birth rate and death rate during the colonial rule was:
(a) Both birth rate and death rate were high
(b) Both birth rate and death rate were low
(c) Birth rate was high, while the death rate was low
(d) Birth rate was low, while the death rate was high

Q7. During the colonial period, the occupational structure of India showed little sign of change. The agricultural sector accounted for the largest share of the workforce, which usually remained at a high of i) ___percent. While the manufacturing and the service sectors accounted for only ii) _ and iii) __ percent
respectively.
(a) i) 55 – 60 ii) 8 iii) 5 – 10
(b) i) 60 – 65 ii) 9 iii) 10 – 15
(c) i) 65 – 70 ii) 10 iii) 15 – 20
(d) i) 70 – 75 ii) 10 iii) 15 – 20

Q8. What was the overall literacy rate during the British period?
(a) 10%
(b) 12%
(c) 14%
(d) 16%

Q9. The Tata Iron and Steel Company (TISCO) was incorporated in:
(a) 1807
(b) 1870
(c) 1907
(d) 1970

Q10. India's demographic condition on the eve of independence was characterized by:
(a) High level of literacy, high mortality rates, high life expectancy and high level of poverty.
(b) Low level of literacy, low mortality rates, low life expectancy and Low level of poverty.
(c) Low level of literacy, low mortality rates, high life expectancy and high level of poverty.
(d) Low level of literacy, high mortality rates, low life expectancy and high level of poverty.

Q11. With reference to outcomes of the green revolution, evaluate the following:
1. The low income groups did not get any benefit from it.
2. The HYV crops were more prone to attack by pests.
Which of the above statements is/are not correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

Q12. Match the following:

| | |
|---|---|
| 1. Marketed surplus | A. Large increase in production of food grains resulting from the use of high yielding variety seeds especially for wheat and rice. |
| 2. Green Revolution | B. Portion of agricultural produce which is sold in the market by the farmers. |
| 3. HYV Seeds | C. Seeds that give large proportion of output |
| 4. Land Reforms | D. Improvements in the field of agriculture to increase its productivity |

Which of the above are not matched correctly?
(a) 1, 2 and 4
(b) 3 and 4
(c) 1 and 2
(d) 2 and 4

Q13. Which of the following statements regarding high yielding variety (HYV) seeds are correct?
i) The use of these seeds requires neither the use of fertilizers nor the pesticides.
ii) Dependence on regular supply of water is eliminated.
iii) In the first phase of the green revolution (mid 1960s up to mid-1970s), the use of HYV seeds primarily benefited the wheat growing regions only while in the second phase (mid-1970s to mid-1980s), the HYV technology benefited more variety of crops.
iv) In the first phase of the green revolution, the use of HYV seeds was restricted to the more affluent states such as Punjab, Andhra Pradesh and Tamil Nadu.

(a) i and iii
(b) iii and iv
(c) i, ii, iii and iv
(d) ii, iii and iv

Q14. Agriculture sector contributed _______ percent to the GDP in 1990-91.
(a) 24.6
(b) 34.9
(c) 40.5
(d) 59.0

Q15. What is needed to provide protection against natural calamities like floods, drought, locusts, thunderstorms, etc.?
(a) Multiple cropping
(b) Green revolution
(c) Crop insurance
(d) HYV

Q16. How many industries have been reserved for the public sector under Industrial Policy Resolution, 1956?
(a) 17
(b) 21
(c) 15
(d) 2

Q17. Which of the following steps promoted the growth of the economy as a whole by stimulating the development of industrial and tertiary sectors?
(a) Independence
(b) Planning
(c) Colonial rule
(d) Green revolution

Q18. Which of the following had been responsible for the heavy burden of the deal and its interest?
(a) BOP deficit
(b) BOP surplus
(c) Equilibrium
(d) none of these

Q19. Which of the following explains the poor performance of the agricultural sector in the Soviet Union despite availability of vast areas of highly fertile land?
i) Farmers in the former Soviet Union did not own any land, they only enjoyed the profits and had no share in the losses.
ii) In the absence of ownership, there was no incentive on the part of farmers to be efficient.
Which of the above are correct?
(a) Only i
(b) Only ii
(c) Both i and ii
(d) Neither i nor ii

Q20. Which of the below statements are correct with reference to status of agriculture at the time of post-independence India.

i) The low productivity of the agricultural sector forced India to import food from the United States of America (U.S.A.) under the PL 480 scheme.
ii) The intermediaries (variously called zamindars, jagirdars etc.) collected rent from the actual tillers of the soil and contributed only towards improvements of the farm but not the farmers.
Which of the above are not correct?
(a) Only i
(b) Only ii
(c) Both i and ii
(d) Neither i nor ii

Q21. Name the two states in which land-reform was successful?
(a) Maharashtra and Tamil Nadu
(b) Karnataka and West Bengal
(c) Uttar Pradesh and Bihar
(d) West Bengal and Kerala

Q22. Which of the following is a good indicator of the economic growth of a country?
(a) Gross domestic product
(b) Gross national product
(c) Net domestic product
(d) Net national product

Q23. _ refer to taxes levied on imported goods.
(a) Quotas
(b) Tariffs
(c) Lagan
(d) None of these

Q24. In which year, India adopted High Yielding Varieties programmer for the first time.
(a) 1977
(b) 1966
(c) 1986
(d) 1956

Q25. The first Industrial policy Resolution in Independent India was introduced in the year_____
(a) 1948
(b) 1950
(c) 1954
(d) 1956

Q26. The most urgent problem which prompted the introduction of New Economic Policy in 1991 was:
(a) Bad performance of public sector units
(b) Foreign exchange crises
(c) High tax rates leading to tax evasion
(d) All the above

Q27. Industrial Policy before 1991 was essentially a:
(a) Pro-Private sector policy
(b) Anti-public sector policy

(c) Pro-public sector policy
(d) Anti-private sector policy

Q28. The most important change in Foreign Trade Policy from 1991 onwards was:
(a) Reducing restrictions on imports
(b) Reducing restrictions on exports
(c) Both a) and b)
(d) Reducing restrictions on specific goods only

Q29. Inward foreign direct investment is useful because:
(a) Brings in foreign exchange
(b) Brings in modern technology
(c) Brings in management expertise
(d) All the above

Q30. Fiscal deficit is that part of total government expenditure which is met by:
(a) Imposing more taxes
(b) Selling shares held by government
(c) Borrowings
(d) All the above

Q31. Financial sector reforms are undertaken by:
(a) Government of India
(b) Reserve Bank of India
(c) Both a) and b)
(d) Neither a) nor b)

Q32. The main source of foreign capital In India is:
(a) Loans from abroad
(b) Foreign direct investment
(c) Both a) and b)
(d) Neither a) nor b)

Q33. Which of the following refers to relaxation of previous government restrictions?
(a) Privatization
(b) Globalization
(c) Disinvestment
(d) Liberalization

Q34. WTO was established in the year___________
(a) 1995
(b) 1948
(c) 1996
(d) 1994

Q35. __means integrating the domestic economy with the world economy.
(a) Globalization
(b) Privatization
(c) Liberalization
(d) Disinvestment

Q36. Trade agreement between two countries is knows as:
(a) Bilateral agreement
(b) multi-lateral agreement
(c) Both a) and b)
(d) None of these

Q37. When was the New Economic Policy announced?
(a) June, 1991
(b) May, 1991
(c) July, 1991
(d) January, 1991

Q38. ___refers to disposal of equity of public sector units in the market.
(a) Globalization
(b) Privatization
(c) Disinvestment
(d) Liberalization

Q39. Cheaper imported goods were one of the reasons behind:
(a) Growing unemployment
(b) unbalanced growth
(c) Low level of industrial growth
(d) Speared of consumerism

Q40. WTO stands for:
(a) World Trade Organization
(b) World Transport Organization
(c) World Tariff Organization
(d) Women Teachers Organization

**SOLUTION**

S1. Ans. (c)

Sol. The infant mortality rate in British India was 218 per thousand live births that were quite high and due to the presence of the water and airborne diseases that took a toll on life and the situation was quite alarming. Due to the lack of public health and sanitation, the occurrence of the frequent famines and natural calamities that resulted from widespread poverty and thus the high infant mortality.

S2. Ans. (b)

Sol. Subsistence agriculture occurs when farmers grow food crops to meet the needs of themselves and their families on smallholdings. Subsistence agriculturalists target farm output for survival and for mostly local requirements, with little or no surplus.

S3. Ans. (d)

Sol. Type of land tenure system prevailed in India at the time of independence:
Zamindari System, Mahalwari System and Ryotwari System. In this type of system, owners of lands were given the right to collect taxes from the peasants. It was practiced in India at a large scale.

S4. Ans. (c)

Sol. Commercialization of Indian agriculture resulted in reduced area under cultivation of food crops due to the substitution of commercial non-food grains in place of food grains. Between 1893-94 to 1945-46, the production of commercial crops increased by 85 percent and that of food crops fell by 7 percent.

S5. Ans. (b)

Sol. Due to competition from mill-made cloth from England, India's traditional cotton textile sector suffered a setback during the colonial period.
Cotton textiles were mass-produced in vast quantities in England using power looms. Because India was once an English colony, the surplus was sold in India for profit. Because of the huge scale of production, the mill-made fabric was less expensive. Traditional textiles, on the other hand, used archaic processes such as hand-spinning and handloom weaving. As a result, its manufacture could not compete with English mill-made cloth.

S6. Ans. (a)

Sol. India's Demographic conditions during the British rule depict our economy as stagnant and backward. Both the birth rate and death rate were as high as 48 and 40 per thousand. Due to high birth rate and high death rate the population growth was stagnant.

S7. Ans. (d)

S8. Ans. (d)

S9. Ans. (c)

S10. Ans. (d)

S11. Ans. (a)

Sol. The low-income groups, who spend a large percentage of their income on food, benefited as the price of food grains declined relative to other items of consumption. The second statement is correct.

S12. Ans. (c)

S13. Ans. (b)
Sol. The use of these seeds required the use of fertilizer and pesticide in the correct quantities as well as regular supply of water; the application of these inputs in correct proportions is vital. The farmers who could benefit from HYV seeds required reliable irrigation facilities as well as the financial resources to purchase fertilizer and pesticide.

S14. Ans. (b)

S15. Ans. (c)

S16. Ans. (a)
Sol. According to Industrial Policy resolution. of 1956, Schedule A contains 17 major industries. Industrial Policy resolution. of 1956 is a resolution. adopted by the Indian Parliament in April 1956. The 1956 policy continued to constitute the basic economic policy for a long time.

S17. Ans. (b)

S18. Ans. (a)

S19. Ans. (b)
Sol. Since farmers in the former Soviet Union did not own any land, they neither enjoyed the profits nor suffered the losses.

S20. Ans. (b)
Sol. The intermediaries merely collected rent from the actual tillers of the soil without contributing towards improvements on the farm.

S21. Ans. (d)
Sol. Since its independence in 1947, there have been voluntary and state-initiated/mediated land reforms in several states with dual objective of efficient use of land and ensuring social justice. The most notable and successful example of land reforms are in the states of West Bengal and Kerala.

S22. Ans. (a)
Sol. Gross Domestic Product (GDP) Gross domestic product is the most basic indicator to measure the overall health and size of a country's economy. This metric counts the overall market value of the goods and services produced domestically by a country.

S23. Ans. (b)
Sol.
1. A tariff is a tax on imports.
2. It is normally imposed by the government on the imports of a particular commodity.
3. It is also known as customs duty, import duty, import tax or import tariff.
4. It is imposed by one country on the goods and services imported from another country.

S24. Ans. (b)

S25. Ans. (a)

Sol. The first Industrial Policy in India was announced post-independence in 1948. It was presented by Dr. Shyama Prasad Mukherjee.

S26. Ans. (b)

S27. Ans. (c)

S28. Ans. (c)

S29. Ans. (d)

S30. Ans. (c)
Sol. Fiscal deficit can be met by borrowing from domestic sources. Borrowing from public is considered better than deficit financing because it does not increase money supply which is regarded as main cause of rising prices. It also includes tapping of money deposits in Provident Fund, Small Saving Schemes.

S31. Ans. (b)

S32. Ans. (b)

S33. Ans. (d)

S34. Ans. (a)

S35. Ans. (a)

S36. Ans. (a)
Sol.
1: An agreement between two countries is called "bilateral," while an agreement between several countries is "multilateral."
2: The countries bound by an international agreement are generally referred to as "States Parties." Under international law, a treaty is any legally binding agreement between states (countries)

S37. Ans. (c)

S38. Ans. (c)

S39. Ans. (c)
Sol. Low level of industrial growth
Due to globalization, there was a greater flow of goods and capital from developed countries and as a result, domestic industries were exposed to imported goods.
Cheaper imports replaced the demand for domestic goods and domestic manufacturers started facing competition from imports. For example, cheaper Chinese goods pose a big threat to Indian manufacturers. Therefore, option (c) is correct.

S40. Ans. (a)