CHAPTER

8 Indian Economy Before and After Independence

Freedom is never dear at any price. It is the breath of life. What would a man not pay for living?

–Tyler Cowen

Learning Objectives

1 To understand the experience of India during British Rule

2 To analyse the efforts taken by the Government of India after Ind

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8.1 Introduction

This chapter discusses the major events that took place in India before and after Independence. India was a colony for long. Colonialism refers to a system of political and social relations between two countries, of which one is the ruler and the other is its colony. The ruling country not only has political control over the colony, but it also determines the economic policies of the subjugated country. Thus, the people living in a colony cannot take independent decisions in respect of utilisation of the country's resources and important economic activities. India had the bitter experience of colonialism.

8.2 Indian Economy during the British Period

Indian's sea route trade to Europe started only after the arrival of **Vasco da Gama** in Calicut, India on May 20, 1498. The Portuguese had traded in Goa as early as 1510. In 1601 the East India Company was chartered, and the English began their first inroads into the Indian Ocean. In 1614 Sir Thomas Roe was successful in getting permission from **Jahangir** for setting up factories and slowly moved all parts of India.

History of British Period

During the British period

*Before the advent of the British, Indian practically lived in village. Thus the economy of the village was self sufficient. But under the British rule only industries were allowed to develop.

*These economic and organization change brought down the economic condition of Indians. All the problems are chiefly related with health, housing, child and woman welfare and labour, recreation, crime and social disorganization. Due to these problems, the need for organized social work was realized.

Hundred years after Battle of Plassey, the rule of the East India Company finally did come to an end. In 1858, British Parliament passed a law through which the power for governance of India was transferred from the East India Company (EIC) to the British crown. Even the transfer of power from the East India Company to the British Crown did not materially alter the situation.

Britain had exploited India over a period of two centuries of its colonial rule. On the basis of the form of colonial exploitation, economic historians have divided the whole period into three phases: namely the period of merchant capital, the period of industrial capital, the period of finance capital.

8.2.1 Period of Merchant Capital

- The period of merchant capital was from 1757 to 1813.
- The only aim of the East India Company was to earn profit by establishing monopoly trade in the goods with India and the East India's.
- During this period, India had been considered as the best hunting ground for capital by the East Indian company to develop industrial capitalism in Britain.
- When Bengal and South India came under political shake of the East India company in 1750s and 1760s, the objective of monopoly trade was fulfilled.
- The company administration succeeded in generating huge surpluses which were repatriated to England, and the Indian leaders linked this problem of land revenue with that of the drain.
- Above all, the officers of the company were unscrupulous and corrupt.

8.2.2 Period of Industrial Capital

- The period of Industrial capital was from 1813 to 1858.
- During this period, India had become a market for British textiles.
- India's raw materials were exported to England at low price and imported finished textile commodities to India at high price. In this way, Indians were exploited.
- India's traditional handicrafts were thrown out of gear.

8.2.3 Period of Finance Capital

- The third phase was the period of finance capital starting from the closing years of the 19th century and continuing till independence. During this period, finance imperialism began to entrench itself through the managing agency firms, export – import firms, exchange banks and some export of capital.

- Britain decided to make massive investments in various fields (rail, road, postal system irrigation, European banking system, and a limited field of education etc) in India by plundering Indian capital.
- Railway construction policy of the British led to unimaginable as well as uneconomic. The poor Indian taxpayers had been compelled to finance for the construction of railways. The political power was handed over to the British Government by the East India Company in 1858.

8.2.4 Decline of Indian Handicrafts

- The Indian handicrafts products had a worldwide market. Indian exports consisted chiefly of hand weaved cotton and silk fabrics, calicoes, artistic wares, wood carving etc.
- Through discriminatory tariff policy, the British Government purposefully destroyed the handicrafts.
- With the disappearance of nawabs and kings, There was no one to protect Indian handicrafts.
- Indian handicraft products could not compete with machine-made products.
- The introduction of railways in India increased the domestic market for the British goods.

8.3 The Land Tenure Systems in India

Land Tenure refers to the system of land ownership and management.The features that distinguish a land tenure system from the others relate to the following:

(a) Who owns the land ;

(b) Who cultivates the land;

(c) Who is responsible for paying the land revenue to the government.

Based on these questions, three different types of land tenure existed in India before Independence. They were Zamindari system, Mahalwari system and Ryotwari system.

8.3.1 Zamindari System or the Land lord-Tenant System

This system was created by the British East India Company, when in 1793, Lord Cornwallis introduced 'Permanent Settlement Act'. Under this system the landlords or the Zamindars were declared as the owners of the land and they were responsible to pay the land revenue to the government. The share of the government in total rent collected was fixed at 10/11th, the balance going to the Zamindars as remuneration.

8.3.2 Mahalwari System or Communal System of Farming

After introduction of this system, it was later extended to Madhya Pradesh and Punjab. The ownership of the land was maintained by the collective body usually the villagers which served as a unit of management. They distributed land among the peasants and collected revenue from them and pay it to the state.

8.3.3 Ryotwari System or the Owner-Cultivator System

This system was initially introduced in Tamil Nadu and later extended to Maharashtra,Gujarat, Assam, Coorg, East Punjab and Madhya Pradesh. Under this system the ownership rights of use and control of land were held by the tiller himself. There was the direct relationship between owners and tillers. This system was the least oppressive system before Independence.

8.4 Process of Industrial Transition and Colonial Capitalism

This process of industrial transition in India during the British period can be broadly classified into two as given below:

(a) Industrial growth during the 19th century

During the 19th century, British investors started to pioneer industrial enterprises in India as they had experiences of running industries at home. British enterprises also received maximum state support. Although the Britishers initiated industrialisation process in the 19th century, they were primarily interested in making profit and not in accelerating the economic growth in India. At the end of 19th century, there were about 36 jute mills, 194 cotton mills and a good number of plantation industries. The production of coal had risen to over 6 million tonnes per annum.

(b) Industrial progress during the 20th century

During the first part of 20th century, Swadeshi movement stimulated the industrialisation process in India. The existing industries and new industries had maintained a slow but steady growth till the outbreak of the First World War in 1914.By this time more than 70 cotton mills and 30 jute mills were set up. Coal production was doubled. The foundation of iron and steel industry was laid. Railway network was extended.

During the period 1924-39, various major industries like iron and steel, cotton textiles, jute, matches, sugar, paper and pulp industry etc. were brought under protection scheme. This led to rapid expansion of protected industries in India. These protected industries captured the entire Indian market and eliminated foreign competition totally.

Thus in the early part, British rule tried to transform the Indian economy as the producer of industrial raw materials and tried to capture Indian market for their industrial finished goods and thus started exploiting Indian economy in a different way. Later on, British capitalists gradually developed various industries like, jute, tea, coffee, cotton and textiles, paper and paper pulp, sugar etc, in India for locational advantages and exploited Indian labourers extensively.

8.5 Problems of British Rule

1. The British rule stunted the growth of Indian enterprise.
2. The economic policies of British checked and retarded capital formation in India.
3. The drain of wealth financed capital development in Britain.
4. Indian agricultural sector became stagnant and deteriorated even when a large section of Indian population was dependent on agriculture for subsistence.
5. The British rule in India led the collapse of handicraft industries without making any significant contribution to development of any modern industrial base.
6. Some efforts by the colonial British regime in developing the plantations, mines, jute mills, banking and shipping, mainly promoted a system of capitalist firms that were managed by foreigners. These profit motives led to further drain of resources from India.

8.6 Important Industrial Policies Prior to 1991

India is the Asia's third largest economy. The 70 years of Independence have brought a remarkable change in the socio – economic landscape of India.

Industrial Policy of India

1948, 1956, 1977, 1980, 1990 & 1991

Economic development of a country particularly depends on the process of industrialisation. At the time of Independence, India inherited a weak and shallow industrial base. Therefore during the post–Independence period, the Government of India took special emphasis on the development of a solid industrial base. The Industrial Policy Resolutions of 1948 and 1956 clearly stated the need for developing both small scale industries and large scale industries.

8.6.1 Industrial Policy Resolutions 1948

The Government of India recognized the significant contribution of industrialization. Therefore the Government of India declared its first Industrial Policy on 6th April 1948. The main importance of this policy was that it ushered in India the system of mixed economy.

Industrial Policies

Industrial Policy 1948 –

Center's Monopoly : Government of India's Monopoly shall include Railways, Arms and Ammunition, Atomic Energy, Postal Department.

State's Monopoly : State Monopoly shall include natural resources like coal, steel, manufacture of aircraft, cement, rubber, automobile, wireless apparatus (Radio Receiving Sets) and mineral oil.

Unregulated Private Enterprises : It was kept open to private enterprises of individuals and co-operative societies to also involve.

1. Industries were classified into four groups such as public sector (strategic industries), public–cum –private Sector (key industries), controlled private sector, private and co-operative sectors.
2. This policy endeavoured to protect cottage and small scale industries.
3. The central and state governments had a virtual monopoly in rail roads and exclusive rights to develop minerals, iron ore etc.
4. The Government encouraged the significance of foreign capital for industrialization but the government decided that the control should remain with Indian hands.

8.6.2 Industrial Policy Resolution 1956

1. The Industrial Policy of 1956 sought to give a dominant role to public sector. At the same time, it assured a fair treatment to the private sector.
2. The Government would support and encourage cottage and small scale enterprises by restricting volume of production in the large scale sector by differential taxation or by direct subsidies.
3. This industrial policy emphasized the necessity of reducing the regional disparities in levels of development.
4. The Government recognized the need for foreign capital for progressive Indianisation of foreign concerns.

Industrial Resolution Policy – 1956

Shaped by the Mahalanobis Model of growth, which suggested that emphasis on heavy industries would lead the economy towards a long term higher growth path.

The Industrial Policy Resolution – 1956 classified industries into three categories;

17 Industries :
exclusively under the domain of the Government.
These included inter alia, railways, air transport, arms and ammunition, iron and steel and atomic energy.

12 Industries :
Which were envisaged to be progressively Stateowned but Private Sector was expected to supplement the efforts of the State.

The third category contained all the remaining industries and it was expected that private sector would initiate development of these industries but they would remain open for the State as well.

8.7 Green Revolution

The term Green Revolution refers to the technological breakthrough in agricultural practices. During 1960's the traditional agricultural practices were gradually

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replaced by modern technology and agricultural practices in India. Initially the new technology was tried in 1960-61 as a pilot project in seven districts. It was called as the High Yielding Varieties Programme (HYVP).

Achievement of Green Revolution

(i) The major achievement of the new strategy was to boost the production of major cereals viz., wheat and rice. India was depending on the US for the food grain. The US by using Public Law 480 (PL480) exported wheat to India. Indians were waiting for the ships to sip their food. On the other hand, India has lots of minerals. The US could strategically exploit Indian mineral resources at cheapest price for manufacturing missiles and weapons, which gave job opportunity for larger US youth and largely contributed to US GDP. But now India is food surplus, exporting food grains to the European countries.

(ii) The Green revolution was confined only to High Yielding Varieties (HYV) cereals, mainly rice, wheat, maize and jowar.

(iii) This Strategy was also directed to increase the production of commercial crops or cash crops such as sugarcane, cotton, jute, oilseeds and potatoes.

(iv) Per hectare productivity of all crops had increased due to better seeds.

(v) Green Revolution had positive effect on development of industries, which manufactured agricultural tools like tractors, engines, threshers and pumping sets.

(vi) Green Revolution had brought prosperity to rural people. Increased production had generated employment opportunities for rural masses. Due to this, their standard of living had increased.

(vii) Due to multiple cropping and more use of chemical fertilizers, the demand for labour increased.

(viii) Financial resources were provided by banks and co-operative societies. These banks provided loans to farmers on easy terms.

The New Agricultural strategy was also called by various names. Modern agricultural technology, seed – fertilizer – water technology, or simply green revolution.

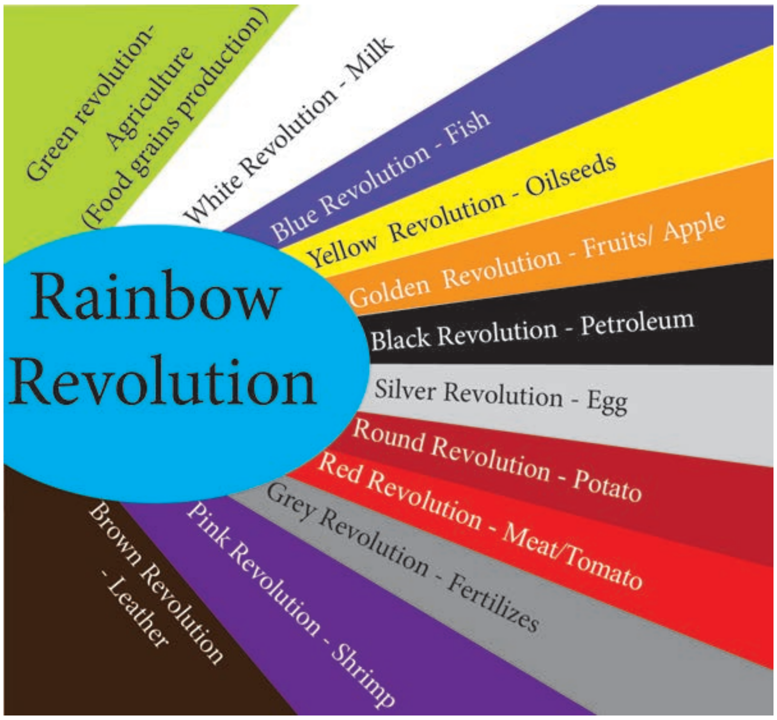
Weaknesses of Green Revolution

(i) Indian Agriculture was still a gamble of the monsoons.

(ii) This strategy needed heavy investment in seeds, fertilizers, pesticides and water.

(iii) The income gap between large, marginal and small farmers had increased. Gap between irrigated and rain fed areas had widened.

(iv) Except in Punjab, and to some extent in Haryana, farm mechanization had created



widespread unemployment among agricultural labourers in the rural areas.

(v) Larger chemical use and inorganic materials reduced the soil fertility and spoiled human health. Now organic farming is encouraged.

Second Green Revolution

The Government of India had implemented 'Second Green revolution' to achieve higher agricultural growth. The target of Second Green Revolution was to increase 400 million tonnes of food grain production as against about 214 million tonnes in 2006-07. This is to be achieved by 2020. In agricultural sector, the growth rate of 5% to 6% has to be maintained over next 15 years. There may be changes in these statistics.

Requirements of Second Green revolution:

- Introduction of Genetically Modified (GM) seeds which double the per acreage production.
- Contribution of private sector to market the usage of GM foods.
- Government can play a key role in expediting irrigation schemes and managing water resources.
- Linking of rivers to transfer surplus water to deficient areas.

8.8 Large Scale Industries

The term "Large scale industries" refers to those industries which require huge infrastructure, man-power and have influx of capital assets. The term 'large scale industries' is a generic one including various types of industries in its purview. All the heavy industries of India like the iron and steel industry, textile industry, automobile manufacturing industry fall under the large scale industrial arena. However in recent years due to the IT boom and the huge amount of revenue generated by it, the IT industry can also be included within the jurisdiction of the large scale industrial sector. Indian economy is heavily dependent on these large industries for its economic growth, generation of foreign currency and for providing job opportunities to millions of Indians. The following are the major large scale industries in India.

1. Iron and steel industry

- First steel industry at Kulti, Near Jharia, West Bengal - Bengal iron works company in 1870.
- First large scale steal plant TISCO at Jamshedpur in 1907 followed by TISCO at Burnpur in 1919. Both belonged to private sector.
- The first public sector unit was "Vishveshvaraya Iron and Steel works" at Bhadrawati.

Public sector steel plants

Location	Assistance
Rourkela (Odissa)	Germany
Bhilai (MP)	Russia
Durgapur (WB)	UK
Bokaro (Jharkhand)	Russia
Burnpur (WB)	Acquired from private sector in 1976
Vishakhapattnam (AP)	Russia
Salem (Tamil Nadu)	Government of India (No external assistance)
Vijai Nagar (Karnataka)	Government of India
Bhadrawati (Karnataka)	Nationalisation of Vishveshvarayya Iron and Steel Ltd(owned by Centre and State government)

- All these are managed by SAIL (at present all important steel plants except TISCO, are under public sector)
- Steel Authority of India Ltd (SAIL) was established in 1974 and was made responsible for the development of the steel industry.
- Presently India is the eighth largest steel producing country in the world.

2. Jute industry

- Jute industry is an important industry for a country like India, because not only it earns foreign exchange but also provides substantial employment opportunities in agriculture and industrial sectors.
- Its first modernised industrial unit was established at Reshra in West Bengal in 1855.
- The jute industry in the country is traditionally export oriented. India

ranks number one in the raw jute and jute goods production and number two in export of jute goods in the world.

3. Cotton and textile industry

- Oldest industry of India, and employs largest number of workers.
- It is the largest organised and broad-based industry which accounts for 4% of GDP, 20% of manufacturing value-added and one third of total export earnings.
- The first Indian modernised cotton cloth mill was established in 1818 at Fort Gloaster near Calcutta. But this mill was not successful. The second mill named "Mumbai's Spinning and Weaving Co." was established in 1854 at Bombay by KGN Daber.

4. Sugar industry

- Sugar industry is the second largest industry among agriculture-based industries in India.
- India is now the largest producer and consumer of sugar in the world. Maharashtra contributes over one third of the Indian total sugar output, followed closely by Uttar Pradesh.

5. Fertiliser industry

- India is the third largest producer of nitrogenous fertilisers in the world.

6. Paper industry

- The first mechanised paper mill was set up in 1812 at Serampur in West Bengal.
- The paper industry in India is ranked among the 15 top global paper industries.

7. Silk industry

- India is the second-largest(first being China) country in the world in producing natural silk. At present, India produces about 16% silk of the world.
- India enjoys the distinction of being the only country producing all the five known commercial varieties of silk viz Mulberry, Tropical Tussar, Oak Tussar, Eri and Muga.

8. Petroleum and natural gas

- First successful Oilwell was dug in India in 1889 at Digboi, Assam.
- At present a number of regions with oil reserves have been identified and oil is being extracted in these regions
- For exploration purpose, Oil and Natural Gas Commission (ONGC) was established in 1956 at Dehradun, Uttarakhand

8.9 Small Scale Industries

Small scale industries play an important role for the development of Indian economy in many ways. About 60 to 70 percent of the total innovations in India comes from the SSIs. Many of the big businesses today were all started small and then nurtured into big businesses. The role of SSIs in economic development of the country is briefly explained in forthcoming paragraphs.

Role of SSIs in Economic Development

1. Provide Employment

- SSIs use labour intensive techniques. Hence, they provide employment opportunities to a large number of people. Thus, they reduce the unemployment problem to a great extent.
- SSIs provide employment to artisans, technically qualified persons and professionals, people engaged in traditional arts, people in villages and unorganized sectors.
- The employment-capital ratio is high for the SSIs.

2. Bring Balanced Regional Development

- SSIs promote decentralized development of industries as most of the SSIs are set up in backward and rural areas.
- They remove regional disparities by industrializing rural and backward areas and bring balanced regional development.
- They help to reduce the problems of congestion, slums, sanitation and pollution in cities. They are mostly found in outside city limits.
- They help in improving the standard of living of people residing in suburban and rural areas in India.
- The entrepreneurial talent is tapped in different regions and the income is also distributed instead of being concentrated in the hands of a few individuals or business families.

3. Help in Mobilization of Local Resources

- SSIs help to mobilize and utilize local resources like small savings, entrepreneurial talent etc., of the entrepreneurs, which might otherwise remain idle and unutilized.
- They pave way for promoting traditional family skills and handicrafts. There is a great demand for handicraft goods in developed countries.
- They help to improve the growth of local entrepreneurs and self-employed professionals in small towns and villages in India.

4. Pave for Optimisation of Capital

- SSIs require less capital per unit of output. They provide quick return on investment due to shorter gestation period. The payback period is quite short in SSIs.
- SSIs function as a stabilizing force by providing high output-capital ratio as well as high employment-capital ratio.
- They encourage the people living in rural areas and small towns to mobilize savings and channelize them into industrial activities.

5. **Promote Exports**

- SSIs do not require sophisticated machinery. Hence, import the machines from abroad is not necessary. On the other hand, there is a great demand for goods produced by SSIs.Thus they reduce the pressure on the country's balance of payments. However, in the recent past large scale industries are able to borrow large funds with low interest rate and spend large sums on advertisements. Hence SSSs are gradually vanishing.
- SSIs earn valuable foreign exchange through exports from India.

6. **Complement Large Scale Industries**

- SSIs play a complementary role to large scale sector and support the large scale industries.
- SSIs provide parts, components, accessories to large scale industries and meet the requirements of large scale industries through setting up units near the large scale units.
- SSIs serve as ancillaries to large scale units.

7. **Meet Consumer Demands**

- SSIs produce wide range of products required by consumers in India.
- Hence, they serves as an anti-inflationary force by providing goods of daily use.

8. **Develop Entrepreneurship**

- SSIs help to develop a class of entrepreneurs in the society. They help the job seekers to become job givers.
- They promote self-employment and spirit of self-reliance in the society.
- SSIs help to increase the per capita income of India in various ways.
- They facilitate development of backward areas and weaker sections of the society.
- SSIs are adept in distributing national income in more efficient and equitable manner among the various participants of the society.

8.10 Micro, Small and MediumEnterprises (MSMEs)

As on now, the following monetary limits have been used for defining different kinds of industrial service units. However, these limits are subject to changes over time.

Manufacturing Enterprises

a. **Micro Manufacturing Enterprises:** The investment in plant and machinery does not exceed ₹25 lakhs.

b. **Small Manufacturing Enterprises:** The investment in plant and machinery is more than twenty five lakh rupees but does not exceed ₹5 crores.

c. **Medium Manufacturing Enterprises:** The investment in plant and machinery is more than ₹5 crores but not exceeding ₹10 crores.

Service Enterprises

a. **Micro Service Enterprises:** The investment in equipment does not exceed ₹10 lakhs.

b. Small Service Industries: The investment in equipment is more than ₹10 lakhs but does not exceed ₹2 crores.

c. Medium Service Enterprises: The investment in equipment is more than ₹2 crores but does not exceed ₹5 crores.

8.11 Public Sector and Private sector banks

Public Sector Banks

Public sector bank is a bank in which the government holds a major portion of the shares. Say for example, SBI is public sector bank, the government holding in this bank is 58.60%. Similarly PNB is a public sector bank, the government holds a stake of 58.87%. Usually, in public sector banks, government holdings are more than 50 percent. Public sector banks are classified into two categories: 1. Nationalised Banks 2. State Bank and its Associates.

In case of nationalized banks, the government controls and regulates the functioning of the banking entity.Some examples are SBI, PNB, BOB, OBC, Allahabad Bank etc. However, the government keeps reducing the stake in PSU banks as and when they sell shares. So, to that extent they can also become minority shareholders in these banks. This is in accordance with the privatization policy.

Private Sector Banks

In these banks, most of the equity is owned by private bodies, corporations, institutions or individuals rather than government. These banks are managed and controlled by private promoters.

Of the total banking industry in India, public sector banks constitute 72.9% share while the rest is covered by private players. In terms of the number of banks, there are 27 public sector banks and 22 private sector banks.As part of its differentiated banking regime, RBI, the apex banking body, has given license to Payments Bank and Small Finance Banks (SFBs). This is an attempt to boost the government's Financial Inclusion drive. (But, there may be other problems).

As a result, Airtel Payments Bank and Paytm Payments Bank Limited have come up. How far these banks would help the poor people is not known.

Top 10 Private Sector Banks In India

8.12 Nationalisation of Banks

After Independence, the Government of India adopted planned economic development. For this purpose, Five Year Plans came into existence since 1951. The main objective of the economic planning aimed at social welfare. Before Independence commercial banks were in the private sector. These commercial banks failed in helping the Government to achieve social objectives of planning. Therefore, the government decided to nationalize 14 major commercial banks on 19 July 1969. In 1980, again the government took over another 6 commercial banks.

Objectives of Nationalisation

The Government of India nationalized the commercial banks to achieve the following objectives.

1. The main objective of nationalisation was to attain social welfare. Sectors such as agriculture, small and village industries were in need of funds for their expansion and further economic development.
2. Nationalisation of banks helped to curb private monopolies in order to ensure a smooth supply of credit to socially desirable sections.
3. In India, nearly 70% of population lived in rural areas. Therefore it was needed to encourage the banking habit among the rural population.

Nationalization

1969 14 banks with deposits above ₹. 50 crores were Nationalized.
1980 6 banks with deposits above ₹. 200 crores were Nationalized

19 July 1969
1. Allahabad Bank
2. Bank of Baroda
3. Bank of Maharashtra
4. Canara Bank
5. Central Bank of India
6. Dena Bank
7. Indian Bank
8. Indian Overseas Bank
9. Punjab National Bank
10. Syndicate Bank
11. Union Bank
12. United Bank of India
13. UCO Bank
14. Bank of India

15 April 1980
1. Andhra Bank
2. Corporation Bank
3. New Bank of India
4. Oriental Bank of Commerce
5. Punjab & Sindh Bank
6. Vijaya Bank

4. Nationalisation of banks was required to reduce the regional imbalances where the banking facilities were not available.
5. Before Independence, the numbers of banks were certainly inadequate. After nationalization, new bank branches were opened in both rural and urban areas.
6. Banks created credit facilities mainly to the agriculture sector and its allied activities after nationalization.

After New Economic Policy 1991, the Indian banking industry has been facing the new horizons of competitions, efficiency and productivity. With all these developments people in villages and slums depend largely on local money lenders for their credit need. This is unfortunate.

8.13 Performance of India's Five Year Plans

Economic planning is the process in which the limited natural resources are used skillfully so as to achieve the desired goals. The concept of economic planning in India or five year plan is derived from Russia (then USSR). India has launched 12 five year plans so far. Twelfth five year plan was the last one. The government of India has decided to stop the launching of five year plans and it was replaced by NITI Aayog.

First Five Year Plan (1951-1956)

- It was based on the Harrod-Domar Model.
- Its main focus was on the agricultural development of the country.
- This plan was successful and achieved the GDP growth rate of 3.6% (more than its target)

Second Five Year Plan (1956-1961)

- It was based on the P.C. Mahalanobis Model.
- Its main focus was on the industrial development of the country.
- This plan was successful and achieved the growth rate of 4.1%

Third Five Year Plan (1961-1966)

- This plan was called 'GadgilYojana' also.
- The main target of this plan was to make the economy independent and to reach self propelled position or take off.
- Due to Indo -China war, this plan could not achieve its growth target of 5.6%

Plan Holiday (1966-1969)

- The main reason behind the plan holiday was the Indo-Pakistan war & failure of third plan.
- During this period, annual plans were made and equal priority was given to agriculture, its allied sectors and the industry sector.

Fourth Five Year Plan (1969-1974)

- There are two main objectives of this plan i.e. growth with stability and progressive achievement of self reliance.

- This plan failed and could achieve growth rate of 3.3% only, against the target of 5.7%.

Fifth Five Year Plan (1974-1979)

- In this plan top priority was given to agriculture, next came industry and mines.
- Overall this plan was successful, which achieved the growth rate of 4.8% against the target of 4.4%.
- The draft of this plan was prepared and launched by D.P. Dhar. This plan was terminated in 1978.

Rolling Plan

This plan was started with an annual plan for 1978-79 and as a continuation of the terminated fifth year plan.

Sixth Five Year Plan (1980-1985)

- The basic objective of this plan was poverty eradication and technological self reliance. Poverty eradication (GARIBI-HATAO) was the motto.
- It was based on investment yojana.
- Its growth target was 5.2% but it achieved 5.7%.

Seventh Five Year Plan (1985-1990)

- Objectives of this plan included the establishment of the self sufficient economy and opportunities for productive employment.
- For the first time, due to the pressure from private sector the private sector got the priority over public sector.
- Its growth target was 5.0% but it achieved 6.0%.

Annual Plans

Eighth five year Plan could not take place due to volatile political situation at the centre. So two annual programmes are formed in 1990-91& 1991-92.

Eighth Five Year Plan (1992-1997)

- In this plan the top priority was given to development of the human resources i.e. employment, education and public health.
- During this plan, New Economic Policy of India was introduced.
- This plan was successful and got annual growth rate of 6.8% against the target of 5.6%.

Ninth Five Year Plan (1997-2002)

- The main focus of this plan was "growth with justice and equity".
- This plan failed to achieve the growth target of 7% and Indian economy grew only at the rate of 5.6%.

Tenth Five Year Plan (2002-2007)

- This plan aimed to double the per capita income of India in the next 10 years.
- It aimed to reduce the poverty ratio to 15% by 2012.

- Its growth target was 8.0% but it achieved only 7.2%.

Eleventh Five Year Plan (2007-2012)

- Its main theme was "faster and more inclusive growth".
- Its growth rate target was 8.1% but it achieved only 7.9%

Twelfth Five Year Plan (2012-2017)

- Its main theme is "Faster, More Inclusive and Sustainable Growth".
- Its growth rate target is 8%.

Here it can be concluded that since the Indian Independence the five year plans of India played a very prominent role in the economic development of the country. These plans had guided the Government as to how it should utilise scarce resources so that maximum benefits can be gained. It is worthy to mention here that Indian Government adopted the concept of five year plans from Russia.

NITI Aayog

The Planning Commission has been replaced by the NITI Aayog on 1st January, 2015. NITI (National Institution for Transforming India) Aayog will monitor, coordinate and ensure implementation of the accepted sustainable development goals. NITI Aayog serves as a knowledge hub and monitors progress in the implementation of policies and programmes of the Government of India. It includes the matters of national and international importance on the economic front, dissemination of best practices from within the country and from other nations, the infusion of new policy ideas and specific issue-based support. In order to understand the achievements of the NITI Aayog, researches need to be done then and there.

8.14 Development Indicators

8.14.1 Human Development Index (HDI)

United Nations Development Programme has been publishing Human Development Report annually since 1990. HDI helped the government to the real uplifting of standard of living of the people.

Human Development Index (HDI)

HDI was developed by the Pakistani Economist Mahbub ul Haq and the Indian Economist Amartya Kumar Sen in 1990 and was published by the United Nations Development Programme (UNDP). It is constructed based on Life Expectancy Index, Education Index and GDP Per Capita.

HDI is based on the following three indicators

1. Longevity is measured by life expectancy at birth,

2. Educational attainments,

3. Standard of living, measured by real GDP per capita (PPP$).

Before calculating HDI, the fixed minimum and maximum values of each indicator are chosen.

The performance in each dimension is expressed as a value between 0 and 1 by applying the following formula

Dimension Index = (Actual value – Minimum value) / (Maximum value - Minimum value)

According to Planning Commission's National Human Development Report 2011, HDI has improved significantly between 1980 and 2011. That is, The HDI went up from 0.302 in 1981 to 0.472 score in 2011.

As per latest Human Development Report (2016) by the United Nations Development Programme (UNDP), India has been ranked 131st out of 188 countries. Out of 188 countries, India lies in Medium Human Development bracket. The other nations such as Bangladesh, Bhutan, Pakistan, Kenya, Myanmar and Nepal attained the medium human development. The HDR 2016 stated that regional disparities in education, health and living standards within India has caused India's downfall to 27 % on HDI score. India's HDI rank value in 2015 stood at 0.624, which had increased from 0.580 in 2010. India's rank in 2014 was 131.

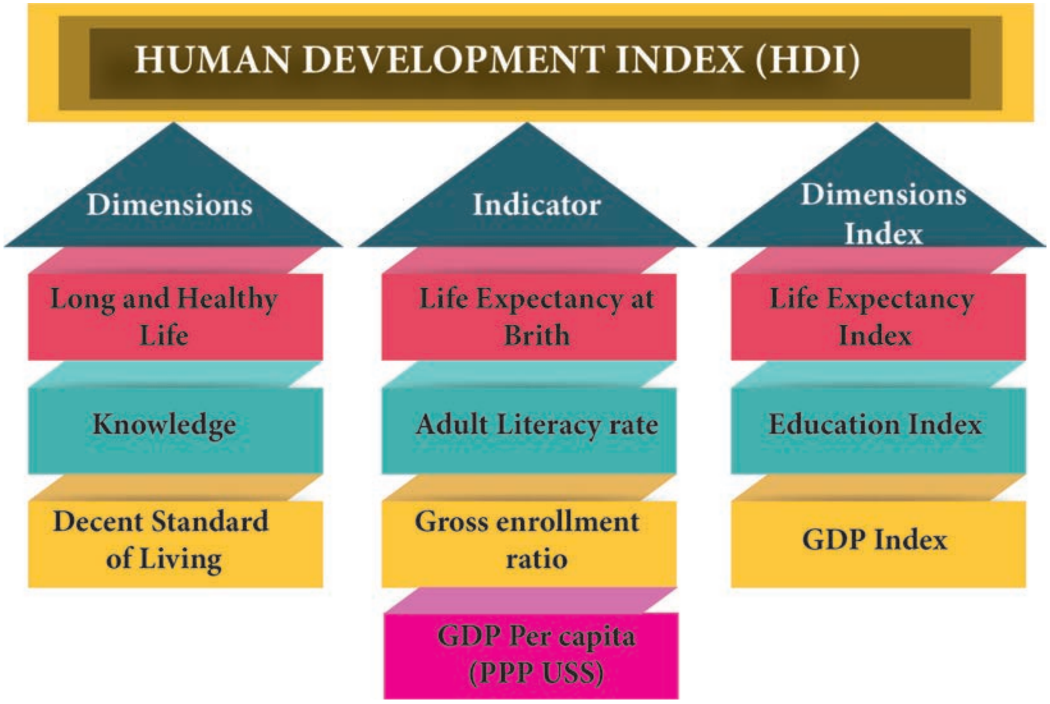
Top three countries of HDI

Norway (0.949)

Australia (0.939)

Switzerland (0.939)

Biswajeet Guha has stated that the calculation of HDI neglected many important aspects of human development. He has created four indices of HDI as HDI_1, HDI_2, HDI_3, and HDI_4. HDI_1 is based on UNDP methodology as given in Human



Development Report. He has enlarged the scope of HDI by adding three more dimensions such as quality of life, poverty eradication, and urbanization.

Various countries including India are continuously making efforts to improve and enlarge the scope of available statistical information.

8.14.2 Physical Quality of Life Index (PQLI)

Morris D Morris developed the Physical Quality of Life Index (PQLI). The PQLI is a measure to calculate the quality of life (well being of a country). For this, he included three indicators such as life expectancy, infant mortality rate and literacy rate. A scale of each indicator ranges from the number 1 to 100.

Number 1 represents the worst performance by any country. 100 is the best performance. For example, in case of life expectancy, the upper limit of 100. This was assigned to 77 years which was achieved by Sweden in 1973. The lower limit of 1 was assigned to 28 years which was achieved by Guinea-Bissau in 1960.

The main difference between the two is the inclusion of income in HDI and exclusion of income from PQLI. HDI represents both physical and financial attributes of development and PQLI has only the physical aspects of life.

8.15 Conclusion

To conclude, the British were more focused on the money from Indians than good governance. Some positive things happened during British Rule. They eradicated systems like 'sati', introduced railway services, English language and education, infrastructure and basic principle of capitalist economy. After Independence, the Government of India formulated many policies with the help of Five year plans to achieve the growth target in various sectors. Among the other things, the major challenges that still continue are: poor health standard, female foeticide, declining child sex ratio, open defecation, social & economic inequalities, increasing slumming, urban congestion and declining qualities of basic environmental resources namely air, land and water

Glossary

- **Zamindari:** The owner of the land who pays the land revenue to the Government.
- **Mahalwari:** The collective body usually the villagers which serve as a unit of management.
- **Ryotwari:** The ownership rights of use and control of land were held by the tiller himself.
- **Green Revolution:** The renovation of agricultural practices through modern technology.
- **Public Sector Banks:** A bank in which the government holds a major portion of the shares.
- **Private Sector Banks:** Most of the equity is owned by private bodies, corporations, institutions and individuals rather than government.

- **Nationalisation:** The process of transforming private assets ownership into government ownership.
- **Human Development Index:** It is a composite statistic of life expectancy, education and per capita income indicators.
- **Physical Quality of Life Index:** It is a measure to calculate the quality of life (well being of a country).

MODEL QUESTIONS

Part-A Multiple Choice Questions

1. The arrival of Vasco da Gama in Calicut, India
   a. 1498
   b. 1948
   c. 1689
   d. 1849

9PYGDI

2. In 1614 Sir Thomas Roe was successful in getting permission from
   a. Akbar
   b. Shajakan
   c. Jahangir
   d. Noorjakhan

3. The power for governance of India was transferred from the East India Company (EIC) to the British crown in
   a. 1758
   b. 1858
   c. 1958
   d. 1658

4. Ryotwari system was initially introduced in
   a. Kerala
   b. Bengal
   c. Tamil Nadu
   d. Maharastra

5. First World War started in the year
   a. 1914
   b. 1814
   c. 1941
   d. 1841

6. When did the Government of India declared its first Industrial Policy ?
   a. 1956
   b. 1991
   c. 1948
   d. 2000

7. The objective of the Industrial Policy 1956 was ……..
   a. Develop heavy industries
   b. Develop agricultural sector only
   c. Develop private sector only
   d. Develop cottage industries only

8. The industry which was de-reserved in 1993 ?
   a. Railways
   b. Mining of copper and zinc
   c. Atomic energy
   d. Atomic minerals

9. The father of Green Revolution in India was ....
   a. M.S. Swaminathan
   b. Gandhi
   c. Visweswaraiah
   d. N.R. Viswanathan

10. How many commercial banks were nationalised in 1969 ?
    a. 10
    b. 12
    c. 14
    d. 16

11. The main objective of nationalisation of banks was ....
    a. Private social welfare
    b. Social welfare
    c. To earn
    d. Industries monopoly

12. The Planning Commission was setup in the year .....
    a. 1950
    b. 1955
    c. 1960
    d. 1952

13. In the first five year plan, The top priority was given to .... Sector.
    a. Service
    b. Industrial
    c. Agriculture
    d. Bank

14. Tenth Five year plan period was.......
    a. 1992-1997
    b. 2002-2007
    c. 2007-2012
    d. 1997-2002

15. According to HDR (2016), India ranked ...... out of 188 countries.
    a. 130 b. 131
    c. 135 d. 145

16. Annual Plans formed in the year ....
    a. 1989-1991
    b. 1990-1992
    c. 2000-2001
    d. 1981-1983

17. The Oldest large scale industry in India
    a. cotton b. jute
    c. steel d. cement

18. Human development index (HDI) was developed by
    a. Jawaharlal Nehru
    b. M.K. Gandhi
    c. Amartiya Sen
    d. Tagore

19. The main theme of the Twelth Five Year Plan
   a. faster and more inclusive growth
   b. growth with social Justice
   c. socialistic pattern of society
   d. faster, more inclusive and sustainable growth

20. The PQLI was developed by ……………
   a. Planning Commission
   b. Nehru
   c. Morris
   D Morrisd.Biswajeet

Part-A Answers

1	2	3	4	5	6	7	8	9	10
a	c	b	c	a	c	a	b	a	c
11	12	13	14	15	16	17	18	19	20
b	a	c	b	b	b	a	c	d	c

Part-B Answer the following questions in one or two sentences.

21. What are the Phases of colonial exploitation of India?
22. Name out the different types of land tenure existed in India before Independence.
23. State the features that distinguish a land tenure system from other system.
24. List out the weaknesses on Green Revolution.
25. What are the objectives of Tenth five year plan ?
26. What is the difference between HDI and PQLI ?
27. Mention the indicators which are used to calculate HDI.

Part-C Answer the following questions in one paragraph.

28. Explain about the Period of Merchant Capital.
29. The Handicrafts declined in India in British Period. Why?
30. Elucidate the different types of land tenure system in colonial India.
31. State the reasons for nationalization of commercial banks.
32. Write any three objectives of Industrial Policy 1991.
33. Give a note on Twelfth Five Year Plan.
34. What is PQLI ?

Part-D Answer the following questions in about a page

35. Discuss about the Indian economy during British Period.

36. Explain the role of SSIs in economic developmet?

37. Explain the objectives of nationalization of commercial banks.

38. Describe the performance of 12th five year plan in India.

ACTIVITY

1. To know the value of freedom, students can collect pictures of places like Jalian Walapak, Meerut, Thandi and photos of freedom fighters.
2. Display the demonstration effect of present Indians in culture, dressing and life style to emphasize the Swadhesi.

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