UNIT – 8

Economic Development of India

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8.0 Objective :

The objective of this lesson is to provide a glimpse of the Indian economy. Owing to constraints of space some aspects of economy have been covered in the form of statistical glossary, viz; transport, money & banking, foreign trade, foreign investment, foreign exchange, external debt and schemes of poverty alleviation. Salient features of Indian economy and its various sectors have also been discussed in this unit.

8.1 Introduction :

India happened to be the largest colony of the British Empire till it attained independence on the 15th August 1947. India did not witness much economic development during the era of imperial subjugation. British rulers used India's natural resources as raw materials for their industries in Britain and manfacutred products of Britain were marketed in India. They were not interested in the

development of agriculure, industries, infrastructure and social sectors like health, education, housing, sanitaiton and drinking water. They were not interested in poverty alleviation, employment generation and in reducing social and economic inequalities. They pursued the policy of 'divide and rule' by aggravating hatred and social tension among Indians on Caste, religion, language and regional lines. They used to get favour from Rajas, Maharajas, Nawabs and other enlightened and affluent people of the society by appeasing them with prestigious awards like 'Sir', 'Rai Bahadur', Maharajadhiraj etc and granting them several prerogatives and special status and distinction. Indegenous small and cottage industries like handlooms and handicrafts were ruined because it was just impossible for them to compete with industrial products of Great Britain. Swadeshi movement was ruthlessly devastated. Naturally people in India were living in sub-human conditions suffereing all sorts of deprivations and pains of poverty. They were absolutely bereft of Civil liberties, fundamental rights and even human rights.

However, long-drawn gruesome struggle for independence eventually succeeded and India's tricolour flag of independence was unfurled at midnight of the 15th day of August 1947. It was the historical, glorious and epoch making event which was the outcome of supreme sacrifices made by our freedom fighters under the stewardship of Mahatma Gandhi.

Now the national leaders and policymakers were confronted with the herculean task of ensuring economic growth with social justice and providing decent standard of lives to the citizens of the country. Languishing for Centuries of exploitation, Indian economy was in peril. There was gloom and despair all around.

Political freedom without economic emancipation was meaningless. The formidable Challenge was accepted. India embraced federal democratic structure and adult franchise without gender discrimination. It was in keeping with the democratic form of government operating in developed countries of western Europe and America. But decision about the shape, complexion and pattern of Indian economy was exceedingly difficult and perplexing. There were two options. The first was the free market economy and right to private property, that is, the capitalistic pattern of economy and the other was totalitarian economy based on centralised economic planning with state ownership and control over the factors of production. The former lacked egalitarian and social welfare elements while the latter was devoid of individual freedom, free enterprise and ownership of private property. None of the two was thought to be suitable for Indian conditions. Ultimately the third option of middle course was chosen and Indian economy emerged as a mixed economy-neither capitalistic nor socialistic.

The essence of mixed economy is Co-existence of public sector and private sector. Core sector, infrastructure defence, public utilities, banking and insurance were reserved for public sector. Though with the passage of time and turn of events private sector was allowed limited access to these areas as well.

Though planning is not the panacea of all economic ills, development without planning is unthinkable. India envisaged development through plans. Three apex institutions were established to keep the development process on track, viz; (i) planning commission, (ii) National Development Council and (iii) Finance Commission.

The Government of India appointed Planning Commission in 1950. The planning process was initiated in April 1951 when the First Five Year Plan was launched. Planning commission used to finalise state plan proposals with their consultation. National Development Council is the larger and more empowered body consisting all chief ministers and central government representatives. NDC approves the plan documents prepared by the planning commission. Finance Commission grapples with the task of distribution of Central revenues between the Centre and the states. 65 year Old Planning commission has been dissolved and a new institution named NITI (National Institution for Transforming India) Aayog has been constituted by the National Democratic Alliance (NDA) government. It will serve as a government think tank and is meant to reflect changes required in India's governance structures and provide a more achieving national objectives. NITI Aayog is headed by the prime minister, who is the Chairperson. The Prime Minister appoints a Vice-Chairman and a chief Executive officer for a fixed tenure. The organisation has fulltime members and upto two part-time members from leading universities, research organisations and other relevant institutions. It has four ex-officio members from the Union Council of Ministers nominated by the Prime Minister. The NITI Aayog has a governing Council also comprising State Chief Ministers and lieutenant governors of Union Territories. The new body came into effect from January 1, 2015. Noted economist Arvind Panagariya has been appointed as the first Vice-Chairman. Another noted economist Bibek Debroy and former Defence Secretary (R & D) V.K. Saraswat have been appointed as full-time members of the Aayog.

Objectives of NITI Aayog

The NITI Aayog will work towards the following main objectives :

(i) To evolve a shared vision of national development priorities, sectors and strategies with the active involvement of states in the light of national objectives.

(ii) To foster cooperative federalism through structured support, initiatives and mechanisms with the states on a continuous basis, recognising that strong states make a strong nation.

(iii) To develop mechanisms to formulate credible plans at the village level and aggregate these progressively at higher levels of government.

(iv) To ensure, on areas that are specifically referred to it, that the interests of national security are incorporated in economic strategy and policy.

(v) To design strategy and long term policy and programme frameworks and initiatives, and monitor their progress and their efficiency.

(vi) To create a knowledge, innovation and entrepreneurial support system through a collaborative community of national and international experts, practitioners and other partners.

(vii) To offer a platform for resolution of inter-sectoral and inter-departmental issues in order to accelerate the implementation of the development agenda.

(viii) To focus on technology upgradation and capacity building for implementation of programmes and initiatives.

8.2 Development Under Plan Periods – An Overview :

Uptil now eleven five year plans and six annual plans have been completed. 12th five year plan (2012-2017) is in operation since April 1, 2012.

First Five Year Plan (April 1, 1951 to March 31, 1956) :

The objective of the first plan was to revive the economy from by colonial depredation, partition of the country and repercussions of second world war. The second objective was to enhance production capacity and reduce disparities. The third objective was to expand transport and communication facilities and to take up irrigation and electricity projects. It was envisaged to spend Rs 2,378 crore during the plan period but actual spending was only Rs 1960 crore. Achievement of this plan was more than the target, that is, annual compound growth rate of national income (at 1980-81 prices) was 3.6 percent against the target of 2.1 percent. The main thrust was on agriculture.

Second Five Year Plan (April 1, 1956 to March 31, 1961) :

Based on the P.C. Mahalnobis model, the then Director of the Indian Statistical Institute, Calcutta, the second plan laid stress on initiating and accelerating the process of industrialisaiton. The industrial policy 1956 was based on the objective of establishing socialistic pattern of society. The emphasis was on increasing the production of iron and steel, heavy chemicals including nitrogenous fertilisers and development of heavy engineering and machine building industry. Employment generation and reduction in disparities were other important objectives. Development of basic and heavy industries were the main areas of priorities. Investment during the second plan period was Rs 6,831 crore including both public sector and private sector outlays. As against the targeted 5 percent per annum growth of national income, the acutal growth rate was 4.27 percent at 1980-81 prices.

Third Five Year Plan (April 1, 1961 to March 31, 1966) :

The fundamental objectives of this plan were to push the economy to take off stage and to ensure self-sustaining growth. Other objectives included 5 percent annual growth rate, self-sufficiency in foodgrains, increase in agro-products to cater to the needs ot export and industry, and to ensure optimum utilisation of labour power and boost employment opportunities.

Actual public sector outlay amounted to Rs 8,577 crore as against the targeted amount of Rs 7,500 crore. Foodgrain production increased at only 2 percent per annum against the trageted rate of 6 percent. The growth rate of national income at 1993-94 prices was merely 2.5 percent p.a. while the target was to ensure 5 percent p.a. growth. This plan was an ill-fated plan as the country had to face two wars – with China in 1962 and with Pakistan in 1965. Naturally development plans were in doldrums. Drought of 1965-66 further worsened the situtation and there was a decline of 4.7 percent in national income in 1966-67.

Three Annual Plans (1966-67 to 1968-69)

Owing to extraordinary circumstances the third plan failed miserably and production was stagnant in many sectors. In 1966 the government of India devalued the national currency to provide a fillip to exports but the effort fizzled out. The situation was so alarming and out of control that the government of India was constrained to postpone the fourth plan for sometime. From 1966-67 to 1968-69 three annual plans were implemented. This period was termed as plan holiday. Long-term projects were shelved. Only short-term small works could be accomplished on selective basis.

Fourth Five Year Plan (April 1, 1969 to March 31, 1974)

Main objectives of the fourth plan included growth with stability, progress towards self-reliance, growth rate of 5 percent p.a, price control, increase in production of commodities of general consumption, buffer stock along with increase in agricultural production, family planning programmes

to check population explosion, 7 percent p.a growth in exports, ever increasing employment opportunities, minimising reginoal imbalances, strengthening public sector, social control on banks and economic equality. Annual growth rate of national income was only 3.5 percent (at 1993-94 prices) which was much lower than the target. Agricultural production registered a growth rate of only 2.7 percent and industrial production grew by 4 percent p.a.

Fifth Five Year Plan (April 1, 1974 to March 31, 1979)

Apart from the continuing objectives of previous plans, the notable features of the fifth plan were : 5% p.a growth in national income, primary education , drinking water, medical facilities in rural areas, nourishing food, land for the houses of the landless labourers, rural roads, electrification of the villages, cleanliness of dirty suburbs, extended programme of social welfare, commodities of necessary consumption to poor people at reasonable prices, judicious price-wage policy, export promotion and import substitution and raising consumption standard of people living below the poverty line. Janata Party government declared this plan closed one-year prior to its schedule.

Sixth Five Year Plan (April 1, 1980 to March 31, 1985)

The Janata Party government ended the tenure of the fifth plan one-year earlier, that is, in 1978 and introduced a new plan since April 1, 1978. This plan was named as the 'Rolling Plan'. In the first phase of this Rolling plan, the sixth plan was initially started for 5 years (1978-83) on April 1, 1978. In 1980 the Rolling plan (sixth plan) prepared by the Janata Government was abandoned by the congress government and a new sixth plan was introduced for the period 1980-85. This revised sixth plan laid down the following objectives: efficiency in utilisaiton of resources, modernisaiton and self-sufficiency in technology, decrease in the incidence of poverty and unemployment, domestic sources of energy and its efficient utilisation, qualitative improvement in the living standards of people, minimise regional disparities and disparities in income and wealth, population control and participation of all categories of people in the development process.

As against the growth target of 5.2% p.a, actual growth rate was 5.3% at 1993-94 prices. Industrial production grew by 5.5%, the target was 7%. However, the target of 154 million tonnes of foodgrain production was achieved. Actual public sector outlay was Rs 1,09,292 crore against the planned outlay of Rs 97,500 crore.

Seventh Five Year Plan (April 1, 1985 to March 31, 1990)

The objectives which make the seventh plan different from earlier plans are enumerated below:

They include emphasis on policies and programmes leading to increased production of foodgrains and wider employment opportunities, ecological and environmental protection, national technological development, non-traditional sources of energy and 5% annual growth. Actual growth at 1993-94 prices was 5.9%. This actual performance was better than expectation. Public sector actual plan outlay during this plan period was Rs 2,18,730 crore which exceeded the estimated plan outlay of Rs 1,80,000 crore.

Eighth Five Year Plan (April 1, 1992-March 31, 1997)

The eighth plan could not start on April 1, 1990 because of some political changes and instability during 1990-92. The national development council ratified the draft of the plan in one of its meeting held on May 23, 1992. This plan took off on April 1, 1992 and concluded on March 31, 1997. The fundamental objective of the eighth plan was human development in all respects. Towards this end

priorities were accorded to restrictions on population explosion, elimination of illiteracy among the people of ages between 15-35 years, provision of primary health, widespread vaccination and complete elimination of scavenging. Growth and diversification of agricultural activities and expansion of basic infrastructure were equally important priorities of the eighth plan.

Out of the total estimated plan outlay of Rs 7,98,000 crore, the public sector accounted for Rs 4,34,000 crore. The targeted growth rate was 5.6% while the actual growth rate was recorded at 6.8%. Agriculture and allied sectors grew by 3.9%, industrial sector by 8% and service sector by 7.9%, all exceeding the target.

Debt service ratio in India was 35.3% in 1990-91 which came down to 18% in 1998-99. Likewise foreign debt to GDP ratio was 41% in 1991-92 which decreased to 23.7% in 1998-99. Foreign reserves in 1990-91 was 2.236 billion dollars which shot up to 22.36 billion dollars in March 1997 and 32.535 billion dollars in April 1999. The inflation rate based on wholesale price index was 16.3% in September 1991, which declined to 3.8% in November 1997. The fiscal deficit during 1990-91 was 8.3% of GDP which diminished to 5.23% in 1996-97.

Ninth Five Year Plan (April 1, 1997 to March 31, 2002)

This plan period was a period of global transformations. The sun was setting on red zone and market economy swept almost every corner of the world. In India too it was realised that public sector investments alone can not achieve the goal of self-reliance in domestic and external sectors and incentives were offered to allure private investments. The total outlay of the ninth plan was reduced to Rs 8,59,200 crores from Rs 8,75,000 crore in its revised format. Indian economy was not on a strong footing and the capability of the private sector was limited. Secondly, private investors do not show interest in areas which are crucial for social welfare but not fascinating for profit seekers. Therefore market economy could not shoulder the entire responsibility and state intervention in the economy was indispensable in India. It was also realised that in a federal system cooperation and coordination between the centre and the states was a necessary condition for rapid economic growth.

Empowering panchayat raj in rural areas and local bodies in urban areas and making them partners in development were also given high priority in this plan. Other objectives included empowerment of women and weaker sections, provision of basic minimum services like housing, universal primary education, health care & clean drinking water, development of agriculture and village for eradication of poverty, population control measures and food for all.

The main focus of the ninth plan was on growth with equity and social justice. Broad outlines covered (i) quality of life (ii) employment promotion (iii) regional imbalance and (iv) self-dependence. GDP growth rate at factor cost was 5.4% during the ninth plan.

Tenth Five Year Plan (April 1, 2002 to March 31, 2007)

The total outlay envisaged for the 10th plan was Rs 19,68,815 crore at 2001-02 prices an outlay of Rs 7,0,6,000 crore for the central plan, Rs 5,88,325 crore for the states' plans and Rs 6,74,490 crore for public sector enterprises. The budgetary support for this outlay was Rs 9,94,060 crore. Traditionally the level of per capita income is regarded as a summary indicator of the economic well being of the country and growth. With population to grow at about 1.6% p.a, the target of doubling per capita income in the next 10 years required 8.7% p.a growth in GDP. Tenth plan period recorded 7.7% p.a growth against the target of 8% p.a. Targets for the 10th plan and beyond were the following :

(i) Reduction of poverty ratio by 5 percentage points by 2007 and by 15 percentage points by 2012.

(ii) Providing gainful and high quality employeemnt at least to addition to the labour force over the 10th plan period.

(iii) All children in school by 2003, all children to complete 5 years of schooling by 2007.

(iv) Reduction in gender gaps in literacy and wage rates by at least 50% by 2007.

(v) Reduction in the decadal rate of population growth between 2001 and 2011 to 16.2%.

(vi) Increase in literacy rates to reach 75% within the plan period.

(vii) Reduction in Infant Mortality Rate (IMR) to 45 per 1000 livebirths by 2007 and to 28 by 2012.

(viii) Reduction in Maternal Mortality Ratio (MMR) to 2 per 1000 livebirths by 2007 and to 1 by 2012.

(ix) Increase in forest and tree cover to 25% by 2007 and 33% by 2012.

(x) All villages to have sustained access to potable drinking water within the plan period.

(xi) Cleaning of all major polluted rivers by 2007 and other notified stretches by 2012.

India Vision – 2020

India Vision 2020 was released by the planning commission on January 23,2003 which portrays pre-assessment of the progress of Indian Economy for the next two decades. The salient points of the document are :

(a) The expected annual growth rate by 2020 to be 9%.

(b) Elimination of unemployment, illiteracy & poverty by 2020.

(c) Per capita income to get doubled by 2020.

(d) Cent per cent registration of children (age group 6-14 years) in schools.

(e) 1.35 billion population of the country to have better living standard by 2020.

(f) Environment situation to remain as unbalanced as present.

(g) With 2% annual employment generation rate, 20 crores new employment opportunities to be created by 2020.

(h) Present employment share in agriculture to come down from present 56% to 40% by 2020.

(i) Unorganised sector to create more additional employment opportunities.

(j) Urban population percentage to get increased from present 25.5% to 40% by 2020.

(k) Water problem in metropolitan cities to continue as such.

Macro-Parameters for the Tenth Plan		
Domestic Saving Rate (% of GDP mp)	23.31	26.84
Current Account Deficit (% of GDP mp)	0.91	1.57
Investment Rate (% of GDP mp)	24.23	28.41
ICOR	4.53	3.58
GDP growth (percent p.a)	5.35	7.93
Source: Tenth Five Year Plan Document		

Note : (i) GDPmp : Gross Domestic Product at Market Prices

(ii) ICOR : Incremental Capital Output Ratio

Eleventh Five Year Plan (April 1, 2007 to March 31, 2012)

The Planning Commission in its meeting held on November 8, 2007 cleared the draft of the plan which was ratified and approved by the National Development Council at its 54th meeting held on December 19, 2007 to raise the average economic growth rate to 9% from 7.6% recorded during the 10th plan. This growth was to be achieved in an environment in which the Indian economy was fairly integrated into the global economy. Such integration yielded many benefits but it posed some challenges as well. Due to the impact of the global economic crisis during 2008-09 and 2009-10 the target of 9% annual growth was found unattainable and it was cut down to 8.1% in plan's mid-term review. National Development Council gave its approval to 8.1% average annual growth rate in its meeting on July 24, 2010.

The total outlay of the 11th plan (Centre, States and PSEs) was pegged at Rs. 36,44,718 crore which was more than double of the 10th plan. The Gross Budgetary Support (GBS) is the centre's support to the plan. 74.67% of the GBS was for priority sector and the rest 25.33% for non-priority sector. The percentages of allocation between priority and non-priority sector were 55.20% and 44.80% respectively over the 10th plan period. Out of the total outlay of Rs 36,44,718 crore the contributions of the Central Government were to be Rs 21,56,571 crore (59.2%) and that of the, state governments to the tune of Rs 14,88,147 crore (40.8%).

'Inclusive growth' was the Watchword of the 11th plan. Which meant by implication that all sections of the country should be both partners and beneficiaries in development programmes. To this end agricultural growth rate target was raised from 2.13% in the 10th plan to 4% in the 11th plan.

The growth targets for industry and services were pegged between 9 and 11%. These targets in the 10th plan were 8.74% and 9.28% respectively. Manufacturing sector was targeted to grow by 12% p.a. Other contemplations of the 11th plan were:

(a) To enhance domestic investment from 35.9% of GDP in 2006-07 to an average of 36.7% of GDP during the plan period. It was 30.8% in the 10th plan.

(b) Create 58 million New Work opportunities.

(c) Reduce educated unemployment to below 5%.

(d) Raise real wage rate of unskilled workers by 20%.

(e) To raise savings rate from 30.8% of GDP in the 10th plan to 34.8% of GDP in the 11th plan.

(f) Reducing poverty by 10 percentage points.

Other thrust areas of the eleventh plan included social sector, agriculture, rural development, education, health, women and children, infrastructure and environment.

Growth Performance in Various Plans (% p.a)

Plan Period	Target	Actual	Prime Minister in Office
First Plan (1951-56)	2.1	3.6	Jawaharlal Nehru
Second Plan (1956-61)	4.5	4.2	Jawaharlal Nehru
Third Plan (1961-66)	5.6	2.7	Jawaharlal Nehru/L.B. Shastri
Three Annual Plans (1966-69)		3.8	
Fourth Plan (1969-74)	5.7	3.3	Indira Gandhi
Fifth Plan (1974-79)	4.4	5.0	Indira Gandhi/Morarji Desai
Annual Plan (1979-80)		5.2	Charan Singh
Sixth Plan (1980-85)	5.2	5.4	Indira Gandhi/Rajiv Gandhi
Seventh Plan (1985-90)	5.0	5.8	Rajijv Gandhi/V.P. Singh
Annual Plan (1990-92)		3.4	Chandrashekher/P.V. Narsimha Rao
Eighth Plan (1992-97)	5.6	6.7	P.V. Narsimha Rao/H.D. Deve Gowda
Ninth Plan (1997-2002)	6.5	5.5	I.K. Gujral/A.B. Vajpayee
Tenth Plan (2002-07)	8.1	7.8	A.B.Vajpayee/Manmohan Singh
Eleventh Plan (2007-12)	8.1	7.9	Manmohan Singh
Twelfth Plan (2012-17)	9-9.5 (AP)	8.0 (PD)	Manmohan Singh/Narendra Modi

Note :

(i) Annual Plans 1966-67 to 1968-69 Actual 3.9% – Indira Gandhi

(ii) Annual Plan 1979–80 Actual -5.2% – Charan Singh

(iii) Annual Plan 1990-91 to 1991-92 Actual 3.4% – Chandrashekhar & P.V. Narsimha Rao

(iv) AP (Approach Paper)

(v) PD (Plan Document)

(vi) No targets for Annual Plans.

(vii) Growth targets for the first thee plans were about national income, in the fourth plan it pertained to net domestic product and from fifth plan onwards it related to GDP at factor cost.

Twelfth Five Year Plan (April 1, 2012 to March 31, 2017)

National Development Council approved the draft of the 12th Five Year Plan on December 27, 2012. Some of the core indicators that are listed below reflect the vision of rapid, sustainable and more inclusive growth.

(a) GDP growth rate of 8% and agricultural growth rate of 4%.

(b) Manufacturing growth rate of 7.1%, industrial sector growth rate of 7.6% and service sector growth rate of 9%.

(c) Every state must have a higher average growth rate in the 12th plan than that achieved in the 11th plan.

(d) Generate 50 million new work opportunities in the non-farm sector and provide skill certificaiton to equivalent numbers during the 12th plan period.

(e) Eliminate gender and social gap in school enrolment.

(f) Reduce IMR to 25 and MMR to 1 per 1000 live births and improve child sex ratio (0-6) to 950 by the end of the 12th Five Year Plan and reduce total fertility rate to 2.1%.

(g) Reduce under nutrition among children aged 0-3 years to half of the NFHS-3 levels by the end of the 12th plan.

(h) Increase investment in infrastructure as a percentage of GDP to 9%.

(i) Increase the gross irrigated area from 90 million hectare to 103 million hectare.

(j) provide electricity to all villages and connect all villages with all-weather roads.

(k) Upgrade national and State highways to the minimum two-lane standard.

(l) Provide 50% of rural population access to 55 LPCD piped drinking water supply and enable 50% of gram panchayats to achieve Nirmal Gram Status.

(m) Increase green cover by 1 million hectares every year during the plan period.

(n) Add 30,000 MW of renewable energy capacity.

(o) Reduce emission intensity.

(p) Provide access to banking services to 90% Indian households.

(q) Major subsidies and welfare related beneficiary payments to be shifted to direct cash transfer using Aadhar Platform with linked bank accounts.

Key Parameters of 12th Five Year Plan (as % of GDP at Current Prices)

Gross Domestic Savings	33.6
Investment Rate	38.8
Total Consumption Expenditure	69.3
Merchandise Exports	16.0
Merchandise Imports	25.2
Merchandise Trade Deficit	(—) 9.2
Net Service Export	3.5
Current Account Balance	(—) 3.4
Capital Account Balance	3.9

Total plan outlay envisaged for the 12th plan was Rs 84,86,226 crore in comparison to Rs 37,50,978 crore of the 11th plan. The size of the total Central Plan was of Rs 47,69,841 crore (Rs 20,25,129 crore in the 11th plan) and total state & union territory plan size was fixed at Rs 37,16,385 crore (Rs 17,25,848 crore in the 11th plan). Gross budgetary support increased from Rs 11,67,885 crore in the 11th plan to Rs 27,10,841 crore in the 12th plan. Likewise Central assistance to States and UTs also increased from Rs 4,21,458 crore to Rs 8,57,786 crore between the two plan periods. States' resources were also augmented from Rs 13,04,390 crore to Rs 28,58,599 crore over the two plan periods.

In may 2014 NDA government under the leadership of Sri Narendra Modi came to power which gave new orientation to plans, policies and programmes. Several transformations were made and the new approach to the crusade for economic development accelerated the pace of reforms and

made important departures from the past. 'Make in India' and incentives to domestic and foreign investors are the main planks of the economic policy of the new government. Several poverty and unemployment eradication schemes and welfare measures have been set in motion. Infrastructure and Defence are among top priorities of NDA Govt.

8.3 Current Scenario :

8.3.1 Demographic Condition

India's population as per 2011 census is 121.0854 billion which constitutes 17.5% of the world population. By 2050 India will become the most populous country of the World. The United Nations Project 9.6 billion World Population in 2050. Rural population works out to 83.37 billion while urban population was 37.71 billion in 2011. Rural population grows by 12.3% while urban population grows by 31.8%. Sex Ratio (female per 1000 male) in 2011 was recorded at 943-Kerala (1084) at the top and Haryana at the bottom. Child sex ratio (female child per 1000 male child) was 919 on national scale. Other highlights are : Birth Rate (2013) 21.4 per thousand population, Death Rate (2012) 7.0 per thousand population, Infant Mortality Rate (2013) 40 per thousand live births (rural 44, urban 27, male 39, female 42); Maternal Mortality Rate (2010-12) 178 per 1,00,000 livebirths. Density of Population 382 per sq. km and Literacy Rate 73% (80.9 male and 64.6 female). Life expectancy at birth (2009-13) 67.5 years (male 65.8 years and female 69.3 years). India accounts for merely 2.4% of the world surface area 135.79 million sq.km. Yet, it supports and sustains a whopping 17.5% of the world population. Relisionwise, Hindus constitute 78.35%, Muslims 14.2%, Christians 2.3% and Sikhs 1.8% of Indian Population (2011). Highest Population growth is found among Muslims, that is, 24.4% against national average of 17.7% between 2001 and 2011. Sikhs are at the lowest rung with 16.9%. Highest literacy rate (94.1%) is found among Jains and the lowest (59.1%) among Muslims.

The national commission on population was constituted on May 11, 2000 under the chairmanship of the Prime Minister to provide overall guidance for population stabilisation by promoting synergy between demographic, educational, envirionmental and developmental programmes. On May 19, 2005 the commission was reconstituted and has been transferred from the planning commission to the Ministry of Health and its membership has been reduced from 131 to 44. Deputy Chairman of the planning Commission and Minister of Health and Family welfare will act as deputy chairmen under the chairmanship of the Prime Minister.

8.3.2 National Income with New Base Year 2011-12

The ministry of statistics and programme implementation has revised the base year of estimating national income data from 2004-05 to 2011-12 and has released the revised data. Last time the base year of national accounts was revised to 2004-05 in January 2010. With the revised definition of GDP with new base year 2011-12, country's economic growth in 2012-13 and 2013-14 got pushed up as compared to older series data (base year 2004-05). In the new definition of economic growth with base year 2011-12, GDP is estimated at market prices which includes indirect taxes but excludes subsidies. Earlier GDP growth was estimated at factor cost wihich excluded indirect taxes but included subsidies. In place of GDP at factor cost, Gross Value Added (GVA) at basic prices will be used now. The difference between GDP at factor cost and GVA at basic prices is that production taxes are included and production subsidies are excluded from the latter. Now. GDP at market prices would come by adding product taxes and deducting product subsidies from GVA at basic prices.

Taking the old definition and base of 2004-05, India's GDP growth stood at 4.5% in 2012-13 and 4.7% in 2013-14. However the new series put GDP growth at 5.1% for 2012-13 and 6.9% for 2013-14. GDP for the base year 2011-12 is estimated at Rs 88.3 lakh crore. Nominal GDP or GDP at current prices for the year 2012-13 is estimated at Rs 99.9 lakh crore while that for the year 2013-14 is estimated at Rs 113.5 lakh crore, exhibiting growth of 13.1% and 13.6% respectively.

Real GDP or GDP at constant (2011-12) prices stands at Rs 92.8 lakh crore for the year 2012-13 and Rs 99.2 lakh crore for the year 2013-14 showing growth of 5.1% during 2012-13 and 6.9% during 2013-14. In 2014-15 it is likely to attain a level of Rs 106.57 lakh crore. At constant prices, the per capita income (2011-12 prices) during 2014-15 was likely to attain a level of Rs 74,193 as compared to Rs 69,959 in 2013-14. The CSO (Central Statistical Organisation) predicted 7.4% growth rate for the fiscal year 2014-15 as against 6.9% in 2013-14. India's Growth rate estimated by the World Bank for 2014-15 was 5.5%, by Fitch (an International Rating Agency) 5.5% and the UN predicted 6.4% growth rate for India in 2015. RBI has predicted a growth rate of 7.6% for 2016-17.

Projection of Economic Growth of India 2015-16 (% Year on Year)	
International Monetary Fund	7.5
Organisation for Economic Cooperation and Development	7.7
Fitch Ratings	8.0
Asian Development Bank	7.8
Economic Survey	8.1–8.5
Morgan Stanley	7.6
R.B.I (2016-17)	7.6

Source : Respective Agencies and Finance Ministry

India's growth rate is likely to excel the growth rate of China very soon and then it will emerge as no. 1 country of the world in respect of growth rate. India has attained the fourth position among large economies of the world on purchasing power parity basis.

8.3.3 Agriculture

Total land surface of India is 32,87,263 sq. km out of which 8118 Sq. Km is the length of the coast line. India accounts for 2.42% of world area and occupies 7th position after Russia, China, U.S.A, Canada, Australia and Brazil. Forest and Tree cover Area Accounts for 23.81% of the total area, that is, 7,82,871 Sq.Km. Agricultural or Cultivable land is equal to 181.98 million hectare. Out of this, cultivated area is equal to 155.52 million hectare. per capita agricultural land is 0.151 hectare. Gross irrigated area is 91.53 million hectare, that is, 46.9% of gross sown area and the remaining 53.1% is rain-fed area.

Productivity of Indian agriculture is low for many reasons and efforts are afoot to raise productivity. Yet India is self-sufficient in foodgrains. Foodgrains production rose from 52 million tonnes in 1951–52 to 264.77 million tonnes in 2013-14. The share of agriculture and allied sectors in total GDP has been estimated at 18% and their share in Gross Capital formation has been 7.9% for the year 2013-14. As against a growth target of 4% for agriculture and allied sectors in the Twelfth plan, the growth registered in the first year at 2011-12 prices was 1.2%, 3.7% in 2013-14 and 1.1% in 2014-15. It is indeed a sad state of affair in view of enormous importance of agriculture in employment,

industrial development and international trade. Agriculture at present provides livelihood to 65 to 70% of the total population. This sector provides employment to 54.6% of the country's work force and is the single largest private sector occupation. The most sombre pricture of agriculture is reflected in the suicides of Indian farmers. The governments have of late takenup the issue seriously. Fact finding committee has been formed to investigate the reasons and suggest measures to stop suicides. Raising minimum support price, crop insurance, increased number of godowns and safety of foodstock, encouragement to commercial crops, land reforms measures, strategy of second green revolution adopted in the 11th plan and creation of irrigation fund, insurance cover and huge allocation of fund to agriculture and rural development by the NDA government at the centre are supposed to bring a big change.

8.3.4 Micro, Small & Medium Enterprises (MSMEs)

The small scale sector has played a very important role in the socio-economic development of the country during the past five decades. It has significantly contributed to the overall growth in terms of the GDP, employment generation and exports. The performance of the small scale sector, therefore, has a deep impact on the overall growth of Indian economy.

The process of economic liberalisation and market reforms, while exposing the Indian MSMEs to increasing levels of domestic and global competition, has also opened up attractive possibilities of access to larger markets and of stronger and deeper linkages of MSMEs with larger enterprises. Improved manufacturing techniques and management processes can be sourced and adopted with greater ease.

Micro, Small and Medium Enterprise Development Act, 2006

Small and Medium Enterprise Development Bill 2005 (which was introduced in the Parliament on May 12, 2005) has been assented by the President and thus became an Act. This new Act, named as **'Small and Medium Enterprise Development Act, 2006'** has become effective from October 2, 2006. This Act makes a different category for medium level enterprises.

Salient Features of the Act

- It provides the first-ever legal framework for recognition of the concept of 'enterprise' (comprising both manufacutring and services) and integrating the three-tiers of these enterprises, viz., micro, small and medium.
- Under the Act, enterprises have been categorized broadly into those engaged in (i) manufacturing and (ii) providing/rendering of services. Both categories have been further classified into micro, small and medium enterprises, based on their investment in plant and machinery (for manufacturing enterprises) or in equipment (in case of enterprises providing or rendering services) as under :

Manufacutring Enterprises : Micro Enterprises-investment upto Rs 25 lakh. Small Enterprises-investment above Rs 25 lakh and upto Rs 5 crore. Medium Enterpises-investment above Rs 5 crore and upto Rs 10 crore.

Service Enterprises : Micro Enterprises-investment upto Rs 10 lakh, Small Enterprises-investment above Rs 10 lakh and upto Rs 2 crore. Medium Enterprises investement above Rs 2 crore and upto Rs 5 crore.

- The Act provides for a statutory consultative mechanism at the national level with wide representation of all sections of stakeholders, particularly the three classes of enterprises, and with a wide range of advisory functions, and an Advisory Committee to assist the Board and the Centre/State Government.
- The other features include (i) establishment of specified Funds for the promotion, development and enhancement of competitiveness of these enterprises, (ii) notification of schemes/ programmes for this purpose, (iii) progressive credit policies and practices, (iv) preference in Government procurements to products and services of the micro and small enterprises, (v) more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and (vi) simplifications of the process of closure of business by all three categories of enterprises.

Distinction between Cottage, Small and Village Industries

In a broad sense cottage, small and village industries are treated similar but they fundamentally differ from each other.

Cottage industry is run by family members on full or part time basis. It possesses negligible captial investment. There is hand made production and wage earning person is employed in cottage industry.

Small industrial units employ wage earning labour and production is done by the use of modern techniques. Capital investment is also there. A few cottage industries which are export-oriented, have been included in the category of small sector so that facilities provided to small units may also be given to export-oriented cottage industries.

The industries established in rural areas having population below 10,000 and having less than Rs 15,000 as fixed capital investment per worker will be termed as village industries. KVIC and state village Industries Board provide economic and technical assistance in establishing and operating these industrial units.

8.3.5 Industrial-Sector Performance

The recently released new series of national accounts, revising the base year from 2004-05 to 2011-12 and applying changed methodology, whose details are not yet available, gives considerably improved estimates of growth in the industrial sector in 2012-13 and 2013-14 as compared to those based on the 2004-05 series. This is mainly due to much better performance in the mining and manufacturing sectors as per the new series. In 2013-14, manufacturing sector growth is estimated at 5.3 per cent as compared to the (–) 0.7 per cent estimated under the 2004-05 series. The Advance Estimates (AE) for the year 2014-15 show industrial growth of 5.9 per cent as per 2011-12 base year. The manufacturing, electricity, and construciton sectors have grown remarkably while growth in the mining sector has declined as compared to 2013-14. The improved performance in manufacturing is attributed to the change in methodology and use of new data sources. The growth in electricity, gas, and water supply and construction shows marked improvement in 2014-15 as compared to the previous two years.

The eight core infrastructure supportive industries, namely, coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity with a total weight of 37.90% in the Index of Industrial Production (IIP) have registered a growth of 3.7% during 2014-15 as compared to 4.2% in 2013-14. During the year 2014-15, the growth in the coal sector was 8.4%, 8.1% in electricity, 5.6% in cement,

1.3% in steel and 0.4% in refinery products sector. Crude oil, natural gas and fertilizers sectors have shown negative growth during 2014-15.

Consistent with the policy of liberalisation of domestic industry, the number of industries reserved for the public setor have also been reduced.

At present only two industrial sectors are reserved for public sector. They are :

(1) Atomic Energy

(2) Railway operations, other than construction, operation and maintenance. There are only five industries at present where an industrial license is required. These are :

(i) Electronic aerospace and defence equipments (all types);

(ii) Industrial explosives, including detonating fuses, safety fuses, gun powder, nitro cel lulose and matches.

(iii) Specified hazardous chemicals.

(iv) Cigars and cigarettes of tobacco and manufactured tobacco substitutes; and

(v) Distillation and brewing of alcoholic drinks.

To main objectives of the industrial policy of the Govt. are to (i) Maintain a sustained growth in productivity; (ii) enhance gainful employment; (iii) achieve optimal utilisation of human resources; (iv) attain international competitiveness and (v) transform India into a major partner and player in the global arena.

The achieve these objectives, the policy focus is on deregulating Indian industry, allowing freedom and flexibility to the industry in responding to market forces; and providing a policy regime that facilitates and fosters growth. Economic reforms, initiated since 1991, envisage a significantly bigger role for private initiatives. The policy has been progressively liberalised over the years.

8.3.6 : Service Sector

The share of services in India's Gross Value Added (GVA) at basic prices (at current prices) increased from 48.5% in 2011-12 to 53% in 2014-15. Including construction, the share increased to 61% in 2014-15. With a 20.5% share, financial, real estate and professional services as a group is the largest contributor to GVA among the various services sub-sectors, followed by public administration, defence and other services with a 13.3% share. Trade, repairs, hotels and restaurants with a share of 12.4% is in third place.

In 2014 -15, growth of the services sector accelerated further to 10.2% as compared to 9.1% in 2013-14. This sector's growth is much higher than the overall GVA growth of 7.2% and 7.3% GDP growth at market prices in respective years.

India was the eighth largest exporter in commercial services with 3.2% share of world exports and the tenth largest importer with 2.6% share of world imports in 2014. In 2014 -15 services exports grew by 2.6% to US $ 155.4 billion compared to growth of 4% in the previous year and import of services grew by 1.6% at US $ 79.8 billion compared to growth of (—) 2.8% in the previous year. In 2014 -15, net services financed almost 52% of India's trade deficit.

8.4 : India-Underdeveloped Country :

Share of agriculture and allied activities in GAV as per 2011-12 series was 17.6% in 2014-15. In the same year industry accounted for 29.7% and services accounted for 52.7% share in GAV, per capita net national income in 2014-15 was Rs 88,533 at current prices in comparison to Rs 64,316 in 2011-12. At constant 2011-12 prices these figures for 2014-15 and 2011-12 worked out to Rs 74,193 and Rs 64,316 respectively.

Salient Features of Indian Economy

(i) Low Per Capita Income

(ii) Disparities in Income Distribution

(iii) Dominance of Agriculture and Heavy Population Pressure on Agriculture

(iv) Overpopulation but the youngest country of the world.

(v) Unbalanced Economic Development

(vi) Lack of Capital

(vii) Inadequate Industrialisation

(viii) Service Sector-Fastest growing Sector-Largest component of GDP

(ix) Market Imperfections

(x) Inadequate Transport and Communication Facilities

(xi) Existence of Traditional Society

(xii) Widespread Poverty and Unemployment.

According to the UNO, "An underdeveloped country is one in which per capita real income is low as compared to the per capita real income of developed countries such as U.S.A., Canada, Australia and Western Europe." But this measuring rod of defining underdeveloped country is not justified because many countries, particularly oil producing and oil exporting countries, do possess much higher level of per capita income, even then they cannot be termed as 'developed countries' due to lack of industrialisation.

Prof. Ragner Nurkse, an eminent growth economist, presented the availability of capital as a broad basis for defining underdeveloped countries. Accordng to Ragner Nurkse, "Underdeveloped countries are those which are compared with the developed countries as under-equipped with capital in relation to their population and natural resources."

According to **Prof. Jacob Viner,** "An underdeveloped country is a country which has good potential prospects for using more capital and more labour or more available resources or all of these to support its present population on a higher level of living or if its per capita income level is already fairly high, to support a larger population on a not lower level of living."

Poverty : Rural and Urban

I. Rural Poverty

Main Reasons for Rural Poverty

1. Rapid population growth.
2. Lack of capital.

3. Lack of alternative employment opportunities other than agriculture.
4. Excessive population pressure on agriculture.
5. Illiteracy.
6. Regional disparities.
7. Joint family system.
8. Child marriage tradition.
9. Indifferent attitude towards investment.

Government Efforts for Eliminating Rural Poverty

1. Legal ban on bonded labourers.
2. Preventing the centralisation of wealth by modifying laws.
3. Antyodaya plan.
4. Small Farmer Development Programme (SFDP).
5. Drought Area Development Programme (DADP).
6. Twenty point programme.
7. Food for work programme.
8. Minimum Needs Programme (MNP).
9. Integrated Rural Development Programme (IRDP).
10. National Rural Employment Programme (NREP).
11. Rural Labour Employment Guarantee Programme (RLEGP).
12. Jawahar Gram Samriddhi Yojana (JGSY) (Formerly known as Jawahar Rojgar Yojana).
13. TRYSEM scheme.
14. Family planning/welfare programme for population control.
15. Employment Assurance Scheme.
16. Scheme for Rural artisans/craftsmen.
17. DWCRA programme.
18. Swarna Jayanti Gram Swarozgar Yojana.
19. Mahila Samriddhi Yojana.
20. National Social Assistance Programme (NSAP).
21. Group Life Insurance Scheme for Rural Areas.
22. Rural Housing Programme.
23. Pradhan Mantri Gramodaya Yojana (PMGY).
24. Swarna Jayanti Gram Swarojgar Yojana.
25. Sampurna Gramin Rojgar Yojana.
26. Indira Awaas Yojana.
27. Samagra Awaas Yojana.

28. Pradhan Mantri Rojgar Yojana.
29. Agriculture Income Insurance Scheme.
30. Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS).

II. Urban Poverty

Main Reasons for Urban Poverty

1. Migration of rural youth towards cities.
2. Lack of vocational education/training.
3. Limited job opportunities of employment in the cities.
4. Rapid increase in population.
5. Lack of housing facilities.
6. No proper implementation of public distribution system.

Government Efforts for Eliminating Urban Poverty

1. Emphasis on vocational education.
2. Nehru Rozgar Yojana (NRY).
3. Self-Employment Programme for the Urban Poor (SEPUP).
4. Financial assistance for construction of houses.
5. Self-Employment to the Educated Urban Youth (SEEUY) programme.
6. Prime Minister's Rozgar Yojana (Also implemented in rural areas).
7. National Social Assistance Programme.
8. Urban Basic Services for the Poor (UBSP) programme.
9. Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP).
10. Swarna Jayanti Shahri Rozgar Yojana.

Poverty Line

Committee	Year	Per capita Expediture per day (Rs)		Per capita Average Monthly Expenditure (Rs.)		All India Poverty Line (Average Monthly Expenditure per Family of 5	
		Rural	Urban	Rural	Urban	Rural	Urban
Rangarajan	2011-12	32.4	46.9	972	1407	4760	7035
	2009-10	26.7	39.9	801	1198	4005	5990
Tendulkar	2011-12	27.2	33.3	816	1000	4080	5000
	2009-10	22.4	28.7	673	860	3365	4300

China World's Largest Economy While India is the 3rd in PPP Terms

In a significant move China became World's largest economy with 17.632 trillion dollar GDP (PPP) pushing United States at 2nd place and India at 3rd.

India is now the world's third largest economy in terms of purchasing power parity, ahead of Japan and behind the US and China which hold the top two spots. This was revealed by the 2013

round of the World Bank's International Comparison Programme (ICP) released on 12th March, 2015.

According to the report, the United States remained the world's largest economy, but it was closely followed by China in terms of PPP. India is now the world's third largest economy, moving ahead of Japan.

The ranking is based on Purchasing Power Parity (PPP) in dollar terms.

While India's Gross Domestic Product (GDP) on this basis was $ 7.277 trillion in 2013, Japan's was $ 4.788 trillion. In contrast, this country was only the world's 10th biggest economy in 2005, when the World Bank had issued an earlier report under its International Comparison Programme. At that time, India's economic size was $ 2.34 trillion; Japan was at third rank, at $ 3.87 trillion. America and China came first and second, respectively.

World Bank Ranking of World's Leading Economies (2013)

Rank	Country	GDP (US $) Trillion	Per Capita GDP (US $)
(At Purchasing Power Parity)			
1	China	17.632	11907
2	United States	17.416	53042
3	India	7.277	5412
4	Japan	4.788	38449
5	Germany	3.621	44469
(At Current Prices)			
1	United States	17.416	53143
2	China	10.355	6807
3	Japan	4.770	38492
4	Germany	3.820	45085
5	France	2.902	41421
10	India	2.048	1499

8.5 Statistical Glossary :

Transport

- Total Rail Route (March 31, 2014) — 65,808 km
- Electric Rail Route (March 31, 2014) — 21614 km (32.84% of Total)
- Percentage of passenger traffic operated on electric traction (Approximate) — 50.5%
- Percentage of freight traffic operated on electric traction (Approximate) — 65.2%
- Rail operating ratio 2014-15 (R.E.) — 91.8%
- Rail operating ratio 2015-16 (B.E) — 88.5%

- Asia's First and World's Second Largest Rail System — Indian Railways
- Largest Railway Zone — Nortern Railway
- Total Road Network — 4.885 million km
- Total Length of National Highways/ Expressways (March 2014) — 92851 km
- Total Length of State Highways — 142687 km
- Total Length of Other Roads — 4649462 km
- Longest National Highway — N.H. No. 7 (2369 km)
- State with Highest Road Length — Rajasthan (7886.20 km)
- Number of Major Ports — 13
- Number of Non-Major Ports — 200

Indian Banking Sector

- Central Bank — Reserve Bank of India (Estd. 1935; Nationalised–1949; HQ Mumbai; Governor–Raghuram Rajan)
- First Nationalisation of Commercial Banks — 14 (July 19, 1969)
- Second Nationalisation of Commercial Banks — 6 (April 1980)

Cooperative Credit Institutions in India

(As at end of March 2012)

(A) Rural Co-operatives (Short-Term Credit)

- State Co-operative Banks — 31
- District Co-operative Banks — 370
- Primary Agricultural Credit Societies — 93413

(B) Rural Co-operatives (Long-Term Credit)

- State Co-operative Agriculture and Rural Development Banks — 20
- Primary Co-operative Agriculture and Rural Development Societies — 697

(C) Urban Co-operative Banks

- Scheduled Urban Co-operative Banks — 52

(i) Multi-State — 25

(ii) Single State — 27

- Non-Scheduled Urban Co-operative Banks — 1566

(i) Multi-State — 18

(ii) Single State — 1548

- **Non-Banking Financial Companies (NBFCs)**
  (As at end of March 2012)

* Number of NBFCs registered with RBI — 12385

* Number of NBFCs registered with RBI (Deposit taking) 271

- **Development Banks**

* NABARD Estd.—July 12, 1982; HQ— Mumbai

Estd.—July 1988; HQ—New Delhi

* EXIM Bank Estd.—Jan. 1, 1982; HQ—Mumbai

* SIDBI Estd. — April 2, 1990 HQ — Lucknow

Branch Expansion of Public Sector Banks and Other Commercial Banks

	All Branches an on June 30		Number of branches	Rural brancehs	% of Rural branches
	2013	**2014**	**2015**		
A. SBI and Its Associates	20,288	21,684	22,043	7,863	35.7
B. Nationalised Banks (including IDBI Ltd.)	52,975	59,270	61,164	20,802	34.0
(i) Natinalised Banks	51,811	57,853	59,544	20,467	34.4
(ii) Other Public Sector Banks	1,094	1,417	1,620	335	20.7
C. Regional Rural Banks	17,759	18,823	19,082	14,242	74.6
Total of Public Sector Banks (including RRBs)	91,022	99,777	102,289	42,907	41.9
D. Private Sector Banks	16,100	18,291	18,859	4,042	21.4
E. Foreign Banks	332	317	321	7	2.2
All Scheduled Commercial Banks (A to E)	107,454	118,385	121,469	46,956	38.7
Non-Scheduled Commercial Bank	60	65	66	20	30.3
Local Area Banks	60	65	66	20	30.3
All Commercial Banks	**107,514**	**118,450**	**121,535**	**46,976**	**38.7**

Credit Control

Credit Control is the responsibility of the Reserve Bank of India. Monetary Policy has the following main objectives to achieve.

(i) Investment friendly environment
(ii) Optimism in Stock Exchange
(iii) Price Control
(iv) Combating trade cycle
(v) Stability in the value of national currency

To this end the R.B.I may sometimes resort to credit squeeze and sometimes to credit expansion. For this purpose Credit Control instruments like Bank Rate, Open Market Operations, Rationing, Moral Pressure etc are used.

For Credit Squeeze : Repo Rate, CRR (Cash Reserve Ratio) and SLR (Statutory Liquidity Ratio) are raised. For credit expansion these are changed in reserved order.

Repo Rate is the rate of interest charged by R.B.I on its lending to other banks. Reverse Repo Rate is the rate of interest allowed by R.B.I on its borrowing from other banks. Reverse repo rate is invariably lower than repo rate. Cash Reserve Ratio is the ratio of deposits required to be kept in cash by other banks. Statutory Liquidity Ratio is the ratio of assets to be kept in liquid form by other banks.

External Sector

Foreign Trade

Exports	$ 300.401 billion	$ 312.610 billion
Imports	$ 490.737 billion	$ 450.068 billion
Trade Balance	$ 190.336 billion	$ 137.458 billion

- Establishment of First Trade Point in India — New Delhi (August 16, 1994)
- Commodity with Highest Share in Total Export Value (2013-14) — Crude & Petroleum Products 20.57%
- Country with Highest Foreign Trade with India (2013-14) — China
- % Share of Indian exports in total world exports (2012) — 1.8%
- India's share in world imports (2012) — 2.5%

	Foreign Trade : 2014 –15			
	$ Million	**% Change**	**Crore**	**% Change**
Export	310533.87	(—) 1.23	1897025.85	(—)0.42
Import	447548.33	(—)0.59	2734049.06	(+)0.69
Balance of Trade	(—) 137014.46	—	(—) 720895.82	

Foreign Direct Investment

- Cumulative FDI inflows
  (April 2000-March 2014) — US $ 323.912 billion

(April 2000-December 2014) — US $ 355.415 billion

(including re-invested earnings & other capital)

- Cumulative Portfolio Foreign Investment
  (April 2000-March 2014) — $ 149.663 billion

- FDI inflow 2013-14 — $ 31.853 billion
  (April 2014–December 2014) — US $ (35.38%)
- Maximum FDI inflow from (Country) — Mauritius (35.38%)
- Maximum FDI inflow in (Sector) — Services Sector (17.5%)
  followed by construction (10.06%)
  Telecommunication (7.05%)
- Maximum FDI inflow in (State/Region) — RBI's Mumbai Regional Office (30.0%)
  [(Maharashtra, Dadra & Nagar Haveli, Daman & Diu)]
  followed by NCR Delhi (19%) and Chennai (7%)

Foreign Exchange Reserves

(As on April 10, 2015)

- Foreign Currency Assets — 316.132 billion dollar
- Gold — 19.038 billion dollar
- Reserve Tranche with IMF — 1.283 billion dollar
- SDR — 3.959 billion dollar

Total Foreign Exchange Reserves — 340.413 billion dollar

External Debt (End-December 2014)

- Total External Debt — $ 461.9 billion
- Long-term External Debt — $ 376.4 billion
  (81.5% of total debt)
- Short-term External Debt — $ 85.6 billion
  (18.5% of total debt)
- Componentwise Share

* Commercial Borrowings — 37.0%
* NRI Deposits — 23.8%
* Multilateral Debt — 11.5%

India's Key External Debt Indicators

1. External debt to GDP (2013-14) — 23.4%
2. Debt Service Ratio (2013-14) — 5.9%
3. Concessional Debt to Total Debt (End Dec. 2014) — 9.2%
4. Foreign Exchange Reserves to Total Debt (End Dec. 2014) — 69.4%
5. Short-term External Debt to Foreign Exchange Reserves (End Dec. 2014) — 26.7%
6. Short-term External Debt to Total Debt (End Dec. 2014) — 18.5%

- Govt. (Sovereign) External Debt (June 30, 2014) — $ 90.05 billion (19.5% of Total debt)
- Share of US dollar denominated debt in total debt — 58.7% (Highest)
- Share in total debt

* US $ denominated	58.7%
* Indian Rupee	26.4%
* SDR	6.3%
* Japanese Yen	4.1%
* Euro	2.9%

- **Internal Debt of Government of India**

* 2013-14 (R.E.)	Rs 4593516 crore
* 2014-15 (B.E.)	Rs 4591064 crore

Schemes Proposed by Modi Government

- National Sports Talent Search System
- Pradhan Mantri Krishi Sinchayee Yojana
- National Multi Skill Mission
- Van Bandhu Kalyan Yojana
- National Madarsa Modernisation Programme
- National Mission on Himalayas
- National Mission 'e-Bhasha'
- National Mission for Beautifying and improving the amenities and infrastructure at pilgrimage centres of all faiths.
- National Maritime Authority
- One Rank one Pension Scheme
- Brand India Riding on her strengths of 5Ts :

(i) Tradition

(ii) Talent

(iii) Tourism

(iv) Trade

(v) Technology

- 100 Smart Cities Mission.
- AMRUT
- Deen Dayal Upadhyay Gram Jyoti Yojana
- Deen Dayal Upadhyay Kaushalya Yojana

National Urban Livelihood Mission	2013-14
Pradhan Mantri Jan Dhan Yojana	August 28, 2014
Make in India Campaign	September 25, 2014
Pt. Deendayal Upadhyay Antyodaya Yojana	September 25, 2014
Swachh Bharat Mission	October 2, 2014
Pt. Deendyal Upadhyay Shramev Jayate Programme	October 16, 2014
National Mission on Pilgrimage Rejuvenation and Spiritual Augmentation Drive (PRASAD)	2014-15
National Heritage Development and Augmentation Yojana	January 21, 2015
Sukanya Samridhi Yojana	January 22, 2015
Beti Bachao Beti Padhao Campaign	January 22, 2015
Pradhan Mantri Kaushal Vikas Yojana	2015-16
HriDAY	2015-16
Atal Pension Yojana	2015-16

- Namami Ganga
- Soil Health Card Sceheme.
- Micro Units Development Refinance Agency (MUDRA) Bank.
- Electronic Trade Receivables Discounting System (TReDS)
- Pradhan Mantri Suraksha Bima Yojana.
- Pradhan Mantri Jeevan Jyoti Yojana.
- Senior Citizen Welfare Fund.
- Nai Manjil-An integrated Education and Livelihood Scheme.
- National Investment and Infrastructure Fund (NIIF).
- Atal Innovation Mission.
- SETU (Self-Employment and Talent Utilization) — Techno-Financial, Incubation and Facilitation programme.
- Gold Monetisation Scheme.
- Faster Adoption and Manufacturing of Electronic Vehicles (FAME)
- National Skill Mission.
- Deen Dayal Upadhyay Gramin Kaushal Yojana.
- IT based Student Financial Aid Authority.
- Pradhan Mantri Vidya Lakshmi Karyakram.
- Irrigation Fund

8.6 Economic Reforms :

Emancipation from British subjugation was of course an epoch-making event for India. But after languishing under centuries of serfdom our country looked like a plundered house. The situation was extremely worrisome and baffling poverty, inequality, illiteracy and disease were rampant. The people of the country were divided on the bases of caste, creed, language, religion and ethnicity. Ours was a caste-ridden and class-ridden society. The solution was 'unity admist diversities' and the only glimmer of hope was abundance of natural and human resources. These resources were also divided due to partition of the country. Independence and partition of the country dawned together. However, our statesmen, planners, policy makers, scientists and all sections of society started the campaign of all-round development of the country.

The country was on the crossroads and the quesiton was which way to go. There were two ways one of centrally planned regimented economy (Soviet Union was the model) and the other of market driven free economy (of which U.S.A was the doyen). Both systems had their merits and demerits. But none of them suited Indian conditions. Ultimately India decided in favour of the middle course of mixed economy which was an amalgamation of the bright sides of both role models, that is, co-existence of private and public sectors. With the passage of time the Soviet model economies failed to deliver. Gorbachev bid adieu to communism in the Soviet Union and adhered to the principles of 'Glasnost' (openness) and 'perestroika' (structural change). Communism crumbled across the world except China, North Korea and Cuba. Even China opened its doors to capitalist countries and embarked upon market economy. One American sarcastically remarked 'India is the lone crusador against capitalism'.

India eventually abandoned its love for 'Socialistic pattern of society', 'Nationalisation', 'Public Sector', prejudice against foreign capital and over-regulatory and restrictive economic practices. The year 1991 marked the turning point when the Prime Minister Narsimha Rao and the Finance Minister Manmohan Singh framed a new industrial policy making remarkable departure from the past policies. This altogether new policy heralded the beginning of a series of economic reforms and there is no looking back since then.

New Industrial Policy

After independence, the first Industrial Policy was declared on April 6, 1948 by then Union Industry Minister, Mr. Shyama Prasad Mukherjee. This policy established a base for **Mixed and Controlled Economy** in India and clearly divided the industrial sectors into private and public sectors. Later on 1948 Industrial Policy was replaced by a new Industrial Policy Resolution declared on April 30, 1956 with the basic objective of establishing **'Socialistic Pattern of Society'** in the country. Industrial Policy Resoultion of 1956 categorised industries which would be the exclusive responsibility of the state or would progressively come under state control. Earmarking the pre-eminent position of the public sector it envisaged private sector co-existing with the state and thus attempted to give flexibility to the policy framework. Though the Government had declared a number of new industrial policies after 1956, but every new policy accepted the 1956 Industrial Policy Resolution as its base. In June, 1991, Narsimha Rao Government took over charge and a wave of reforms and liberalisation was observed in the economy. In this new atmosphere of economic reforms, the Government declared broad changes in Industrial Policy on July 24, 1991. The Industrial Policy initiatives undertaken by

the Government since July 1991 have been designed to build on the past industrial achievements and to accelerate the process of making Indian industry internationally competitive. It recognises the strength and maturity of the industry and attempts to provide the competitive stimulus for higher growth. The thrust of these initiatives has been to increase the domestic and external competition through extensive application of market mechanisms and facilitating forging of dynamic relationship with foreign investors and suppliers of technology.

Industrial Policy 1991 : An Overview

(A) Main Features (Objectives)

- to maintain a sustained growth in productivity.
- to enhance gainful employment.
- to achieve optimum utilisation of human resources.
- to attain international competitiveness.
- to transform India into a major partner and player in the global arena.

(B) Main Focus on

- deregulating Indian industry.
- allowing the industry freedom & flexibility in responding to market forces and
- providing a policy regime which facilitates and fosters growth of Indian industry.

(C) Policy Measures

(i) Liberalisation of Industrial Licensing Policy.

(ii) Introduction of Industrial Entreprenuer's Memorandum (i.e., no industrial approval is required for industries not requiring compulsory licensing).

(iii) Liberalisation of Locational Policy.

(iv) Liberalised policy for Small Scale Sectors.

(v) Non-Resident Indians Scheme (NRIs are allowed to invest upto 100% equity on non-repatriation basis in all activities except for a small negative list).

(vi) Electronic Hardware Technology Park (EHTP)/Software Technology Park (STP) Scheme for building up strong electronic industry to enhance exports.

(vii) Liberalised policy for Foreign Direct Investment (FDI).

- **FDI Inflow in India**

An investor-friendly FDI policy has been put in place, whereby FDI up to 100 per cent is permitted under the automatic route in most sectors/activities. In 2014, FDI policy has been further liberalised. FDI up to 49 per cent through the government route has been permitted in the defence industry. Higher FDI has also been allowed on a case-to-case basis. FDI up to 100 per cent through the automatic route has been permitted in construction, operation, and maintenance of identified railway transport infrastructure. Norms related to minimum land area, capitalization and repatriation of funds for FDI in construction development projects have been further liberalized.

During April-February 2014-15, total FDI inflows (including equity inflows, reinvested earnings, and other capital) were US$ 41.22 billion, while FDI euqity inflows were US$ 28.81 billion.

Cumulative FDI inflows from April 2000 to February 2015 were US $ 364.79 billion. Services, contruction, telecommunications, computer software and hardware, drugs and pharmaceuticals, the automobile industry, chemicals and power have attracted a proportionately high share of total inflows.

- **'Invest India' Constituted to Promote FDI**

A joint company of public and private sectors named **'Invest India'** has been constituted for promoting foreign direct investment in the country. This company will provide investment information to foreign investors. This company will work on **'no profit-no loss'** basis. In its capital of Rs 1000 crore, the government and FICCI have the share of 49 : 51.

This company will work on three principles—

(i) to promote FDI in the country.

(ii) to provide processing facilities to foreign investors and act as coordinator among various ministries.

(iii) to provide feedback to government on industrial policy.

- Govt. Notified 100% FDI in Single-brand Retail
- 100% FDI Policy in Pharmaceutical Sector Released
- 100% FDI in Medical Devices Sector
- Govt. Liberalises FDI Limits in 12 Sectors, Including Telecom
- FDI Norms Eased for Small Scale Sector
- RBI Notifies Hike in FDI Cap in Insurance Sector

The Reserve Bank of India (RBI) has notified the government's decision to raise Foreign Direct Investment (FDI) limit in the insurance sector to 49 per cent from 26 per cent.

DIPP Released 6th Issue of Consolidated FDI Policy

The Deparment of Industrial Policy and Promotion (DIPP), Government of India has released the 6th issue of consolidated FDI Policy, effective from April 5, 2013 :

The key changes brought by the FDI Policy 2013 are as follows :

1. A citizen of Pakistan or an entity incorporated in Pakistan can invest in sectors/activities other than defence, space and atomic energy sectors/activities prohibited for foreign investment.
2. The erstwhile requirement for an independent valuation of the capital goods/machinery/ equipment by a third party entity has been removed.
3. Downstream investment by Banking Companies has been allowed in certain cases.
4. Foreign investment in multi-brand trading has been permitted.
5. Foreign investment in tele-ports and D2H (Direct to Home) has been increased from 49% to 74% (wherein any investment beyond 49% to 74% would be subject to government route).
6. Foreign investment in Air Transport Services (in both scheduled and non-scheduled air transport services) has been permitted.
7. Foreign investments in single brand product retail trading allowed.

8. Foreign Institutional Investors (FIIs) have been permitted to invest in Asset Reconstruction Companies upto 10% of the total paid-up capital.
9. Downstream investments by foreign owned Non-Banking Finance Companies (NBFCs) permitted.
10. Foreign investment upto 49% has been permitted in power exchanges (inclusive of limits of 26% and 23% on FDI and FII investments respectively put power exchanges at par with commodity exchanges.

'Make in India' Campaign Launched

Prime Minister Narendera Modi on September 25, 2014 launched the NDA Government's 'Make in India' campaign for attracting industrialists to make India a global manufacturing hub, to help in creating additional job opportunities and providing a boost to economic growth in the country. The basic philosophy behind this campaign is to establish India as a manufacturing hub for domestic and foreign companies. Prime Minister promised to create and ensure 'business-friendly environment' for this campaign. Besides, Prime Minister assured that the investor facilitation cell will provide assistance to the foreign investors from the time of their arrival in the country to the time of their departure, with focus on green and advanced manufacturing and helping these companies to become an important part of the global value chain.

The strategical components behind the 'Make in India' campaign are—

- Stress on skill development
- Develop world level infrastructural facilities.
- Making India manufacturing hub for domestic as well as foreign companies.
- Reducing import dependence and promoting exports.
- Creating more employment opportunities for the youth in the country.
- Addition in individual's income and purchasing power in the hands of people.

Incentive Packages to Boost Exports.

- 2% interest subsidy scheme extended till March 2014.
- Pilot scheme of 2% interest subvention for project exports through EXIM Bank.
- Incentives on better export performance.
- 3% Duty Credit in Focus Market scheme.
- 4% Duty Credit in special Focus Market Scheme.
- 2% Duty Credit in Market Linked Focus Product Scheme.
- 2% Duty Credit in Focus Product Scheme.

Scheme of Funds for Regeneration of Traditional Industries (SFURTI)

A scheme titled the Scheme of Funds for Regeneration of Traditional Industries (SFURTI) has been notified in October 2005 for the integrated development of traditional clusters of Khadi, coir and village industries, including leather and pottery. The main objective of SFURTI is to establish a regeneration holistic sustainable and replicable model of integrated cluster-based development of traditional industries. Under SFURTI, it is proposed to develop around 100 clusters (25 clusters for Khadi, 50 clusters for village industries and 25 clusters for coir industries) over a period of five years.

The Scheme Steering Committee of SFURTI has approved 122 clusters (34 Khadi clusters, 26 coir clusters and 62 village industry clusters) so far.

Various Schemes for Boosting MSMEs

The MSME sector contributing 37.5 per cent of the country's GDP, have a critical role in boosting industrial growth and ensuring the success of the Make in India programme. A number of schemes are being implemented for the establishment of new MSMEs and growth and development of existing ones. These include :

(a) The Prime Minister's Employment Generation Programme,

(b) Micro and Small Enterprises Cluster Development Programme,

(c) Credit Guarantee Fund Scheme for Micro and Small Enterprises,

(d) Performance and Credit Rating Scheme,

(e) Assistance to Training Institutions,

(f) Scheme of Fund for Regeneration of Traditional Industries.

- Govt. Scraps MSME Exclusive Items List
- 24% Investment Cap on SSIs Removed

Infrastructure Debt Fund Constituted

With the aim to raise funds for infrastructure sector in the country, four financial institutions—ICICI Bank, Bank of Baroda, Citi Financial and LIC have formed the country's first $ 2 billion (about Rs 10,000 crore) Infrastructure Development Fund (IDF). The newly constituted fund with an equity of Rs 300 crore has become operational since April 1, 2012. ICICI Bank, the sponsor of the joint venture holds 31% equity in IDF followed by Bank of Baroda with 30%, Citi Financial 29% and LIC 10%. Besides, Rs 300 crore equity capital, which will be treated as Tier 1 capital, the company will aslo raise Rs 300 crore long-term debt.

The new company finances only PPP (Public Private Partnership) model projects which have completed at least one year of operation. The fund seeks to raise debt capital from domestic and foreign resources in the form of long-term pension, insurance funds and sovereign wealth funds.

Four Infrastructure Funds have been registered with SEBI and two of them were launched in the month of Februray 2013.

<u>Direct Transfer</u>

Subsidies and other Govt. payments are transferred directly to the Bank Accounts of beneficiaries to avoid foul play.

GST

Goods and Services Tax is a revolutionary step towards tax reforms. It will substitute multiple taxes and yield a lot of benefits. But it is stuck in the quagmire of political absurdity.

Rupay

President Pranab Mukherjee on May 2014 dedicated to the nation indigenous card payment network called RuPay taking on the global players like Visa and Master Card. The new payment network developed by the National Payments Corporation of India (NPCI), a not-for-profit company

envisioned by the Reserve Bank of India (RBI) and created by the banking industry, covers all the Automated Teller Machines (ATMs) and most of the retail and e-commerce platforms.

RuPay is the coinage of two terms Rupee and Payment. With the launch of new system, India has now ranked among the "few countries in the world to have such network built domestically to mee the card-based payment system needs of the country." RuPay cards are accepted at all ATMs, more than 90 per cent of 'Point of Sale' (POS) terminals and more than 10,000 e-commerce merchants across the country.

Finance Commission

- Appointment of Finance Commission — President (Under Article 280)
- No. of Finance Commissions setup by now — 14
- Chairman of 12th Finance Commission — Dr.C.Rangarajan
- Chairman of 13th Finance Commission — Vijai L. Kelkar
- Chairman of 14th Finance Commission — Y.B. Reddy
- 13th Finance Commission Recommendations — 2010-15

Devolution of More Funds to States

The new regime at the Centre has provided for greater share to States in the Central Pool to enable them to frame and implement development plans and programmes according to their needs. Finance Commission recommends the principles and formula for distribution of tax revenues of the central pool between the Centre and States. Quinquennial recommendations of the finance commission also cover grants, centrally sponsored schemes, fiscal consolidation, cooperative federalism, PSUs and pricing of public utilities.

Recommendations of 14th Finance Commission

India's Fourteenth Finance Commission, under the chairmanship of former RBI governor Dr. Y.B. Reddy had submitted its final report to the President on December 15, 2015.

- **Devolution to states :** State's share in net proceeds from tax collections be 42%— a huge jump from 32% recommend te by the 13th Finance Commission, and the largest change ever in the percentage of devolution. The recommendation has been accepted by the government.
- **Big jump in tax share :** Compared with 2014-15, the total devolution to states in 2015-16 will increase by over 45%.
- **Resource transfer :** Tax devolution be the primary route of resource transfer to states.
- **Criteria and weights for horizontal distribution :** Population (17.5%), Demographic change (10%), Income distance (50%), Area (15%) and Forest cover (7.5%).
- **Grants :** Should be distributed to states for local bodies on the basis of the 2011 population data; the grants be divided into two broad categories on the basis of rural and urban population — constituting gram panchayats, and constituting municipal bodies. FFC has recommended out a total grant of Rs 2,87,436 crore for five year period from 1.04.2015 to 31.03.2020. Of this the grant recommended to Panchayats is Rs 2,00,292.20 crores and that to urban local bodies is Rs 87,143.80 crores. The government has accepted the recommendations.

- **Types of grants :** A basic grant and a performance grant – the ratio of basic to performance grant be 90:10, with respect to Panchayats; and 80:20 in the case of municipalities.
- **Grant transfers :** For 2015-16, transfers will be to the tune of Rs 29,988 crore.
- **Post-devolution revenue deficit grants :** A total of Rs 1,94,821 crore on account of expenditure requirements of states, tax devolution and revenue mobilisation capacity of the states. These will be given to 11 states.
- **Delinking of schemes :** Eight centrally sponsored schemes (CSSes) will be delinked from support from the Centre : various CSSes will now see a change in sharing pattern, with states sharing a higher fiscal responsibility.
- **Cooperative federalism :** There are recommendations on cooperative federalism, GST, fiscal consolidation road map, pricing of public utilities and PSUs, too.

LPG

LPG (Liberalisation, Privatisation, Globalisation) is the warp and woof of economic reforms Programmes. Licensing Policy has been eased and simplified. Permit, licence, quota and control regime has become much more liberal. Irksome regulations have been scrapped. Rates of taxes have been moderated. All possible incentives are being offered to domestic as well as foreign players. Multinationals are no-longer an anathema to Indian economy. Monopolistic and Restrictive Trade practices (MRTP) Act and Foreign Exchange Regulation Act (FERA) have been abrogated. Now Foreign Exchange Management Act (FEMA) and Securities and Exchange Board (SEBI) of India are playing more positive and stimulating role.

Privatisation drive has boosted investment of capital and resulted in more production and more employment. The competition Act ensures fair competition among domestic and foreign investors. As a result, quality products at reasonable prices are available to consumers. Adequate investment from Govt. coffer was not possible because the governments had to discharge social sector (education, health, drinking water, sanitation etc), defence, law & order and welfare responsibilities which consumed substantial part of Govt. revenues. Now private investors (domestic and foreign) are playing more active and unfettered role and the pace of development has been accelerated.

Globalisation means integration of national economy with global economy. It implies free flow of trade and investment among nations of the world. FDI has been allowed in new sectors and ceiling of FDI has been raised from 26% to 49%, from 49% to 74% and from 74% to 100% in various sectors. India has formed association for regional economic cooperation, e.g., SAARC (South Asain Association for Regional Co-operation) with Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan, Maldives and Afghanistan as other members. But it has not produced desired results. BRICS (Brazil, Russia, India, China and South Africa) is a major organisation and there are high expectations from this organisation of large and powerful countries. BRICS have established New Development Bank with its headquarter in Shanghai and its first president from India. Member countries have agreed upon several measures to raise the level of mutual trade and investment besides effecting mutual cooperation in other spheres.

India is a member of all World Organisations viz; World Bank, IMF, ADB and WTO and has been benefited immensely. Now India has stopped borrowing from IMF and has become a contributor. In these organisations India champions the interests of developing countries as well.

8.7 Summary :

During British rule India was exploited thoroughly – as a source of raw material and as a market for manufactured products of British industrialists. Since indpendence India is struggling to reach new heights of development in all walks of life. Till date, 11 five year plans and 6 annual plans have been implemented and the 12th plan is in progress. India's pace of economic progress gained momentum since unleashing economic reforms with effect from July 1991. Main pillars of economic reforms are Liberalisation, privatisation & Globalisation. Reforms have been initiated both in domestic as well as external sectors. India is a member of all international institutions and is playing significant role in shaping global policies.

8.8 Questions for Exercise :

1. Trace the backdrop of India's development campaign since independence.
2. Describe briefly the objectives of different five year plans.
3. Explain the growth performance of India's agricultural, industrial and services sectors.
4. Describe the salient features of Indian economy. Is India an underdeveloped country?
5. Give a brief account of economic reforms since 1991.
6. Write Note on the following :
   (a) Foreign Direct Investment
   (b) NITI Aayog
   (c) Finance Commission
   (d) Banking Sector & Credit Control
7. What are the Components of India's external sector? State their position with statistical support.

8.9 Suggested Readings :

1. Mishra & Puri : Indian Economy, Himalaya Publishing House, New Delhi, 2014.
2. Rudra, Datta & Sundaram : Economic Development of India, S. Chand Ltd. New Delhi, 2013.
3. INDIA Yearbook - 2016, Publications Division, New Delhi.
4. Economic Survey - 2015-16, Ministry of Finance, Govt. of India, New Delhi 2016.
5. Yojana, Planning Commission, New Delhi Publication – Various Issues.

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