AN OVERVIEW OF INDIAN ECONOMY

ECONOMY

- An economy is system which provides people means of work and earn.
- An economy is an area of the production, distribution and trade, as well as consumption of goods and services.

INDIAN ECONOMY

- India was an agricultural economy, with a very low per capita income. Most of the Indian economy depends on agriculture and agriculture-related activities.

- India is the country with the second-largest population on the earth, with about 1.4 billion residents.
- Progress-wise, India is a developing country. The economic development of India corresponds to that of the developing nations.

According to World bank

World Bank classifies economies considering per capita income into 4 categories.

- Low Income
- Lower Middle-Income
- Upper Middle-Income
- Higher Income.

Lower Middle-Income

Indian economy falls under the category of - lower-middle income economy. Countries that have Per Capita Income (PCI) between $996 and $ 3895 fall in this classification and India as on 2019

BASIC CHARACTERISTICS OF INDIAN ECONOMY

- Low per capita real income
- Rapid population growth
- High rate of unemployment s
- Excessive reliance on the primary sector,
- Vicious circle of poverty,

INDIAN ECONOMY IN BRITISH PERIOD (1600 A.D)

During British colonialism, India's commerce, trade, and investment were hampered by the unilateral transfer of capital and raw materials to Britain. The neglected social sector, had a negative impact on the economy's production and productivity.

Colony of Industrial England

India became an economic colony of industrial England.

A disaster on India's traditional Economy

After the British entered India, the Indian traditional economy became dependent on the British. They were controlling the system in their way to make themselves beneficial.

Demolition of Artisans and Craftsmen

In the early 1800 century suddenly, the Indian urban handicrafts industry collapsed. The British created this situation, and they imported some advanced technological and industrial machines that could make urban handicrafts more advanced than the Indian products.

Introduced new landlord system

The British introduced the Zamindari, Mahalwari, and Ryotwari systems to take excessive land tax from farmers.

Impact on Indian farmers

The British government tried to give innovation everywhere. For that reason, they try to make some improvements in land productivity with the help of their new landlords while taking over the lands or doing indigo cultivation, leading to the Indigo Revolt.

Poor situations of agriculture

The new landlord has no roots in those villages. The government also invests so little money for agriculture purposes that it cannot help produce a standard quality of grains.

According to the work of Cambridge economist Angus Maddison,

- India's share of global income was 23 per cent in 1600 A.D., but by the time the British left in 1947, it had shrunk to only 3 per cent.
- Similarly, India accounted for 33 per cent of global trade in 1600 but fell to less than 3 per cent in 1947.

ECONOMY TILL 2008 & AFTER 2008

1951-1980

- India's growth rate was slow during the first three decades after independence.
- The term refers to India's planned economy's low annual growth rate, which hovered around 3.5 per cent from the 1950s to the 1980s, while per capita income growth averaged 1.3 per cent.
- In 1978, Professor Raj Krishna coined the phrase "Hindu rate of growth" to describe the slow growth of the Indian economy.

1980-1990

- This is widely regarded as the period of economic buoyancy and recovery.
- Only during the sixth five-year plan (1980-1985) India could break the curse of the 'Hindu Rate of Growth'.
- Higher government spending, which provided a much-needed fiscal stimulus to the economy, is one of the factors attributed to higher economic growth.

1992 to 2008

- This is popularly referred as the post-reform period. Following the 1991 economic crisis, the implementation of reforms and the adoption of LPG (Liberalisation - Privatisation - Globalisation) policies paved the way for positive economic outcomes and higher GDP growth rates.

- In fact, from 2002-03 to 2006-07, India's GDP grew at an 8.6 per cent annual rate, making it the world's second fastest growing economy after China.

2008 to 2021

- In the economy, revolutionary policies such as the Goods and Services Tax (GST), the Insolvency and Bankruptcy Code (IC), corporate tax cuts, and demonetisation were implemented.
- Prior to the COVID-19 pandemic, the economy's average annual growth rate between 2008-09 and 2019-20 were 6.5 per cent (at base year 2011-12 prices).

STRUCTURAL CHANGES IN INDIAN ECONOMY

Structural change refers to the fundamental changes that have occurred in the critical components of the Indian economy over time.

Sectoral Impact of COVID-19

Impact on Service sector

- Due to stringent restrictive measures, contact-intensive services were almost halted during the pandemic. The services sector, which encompasses the bulk of contact-intensive and non-essential activities in India.
- The pandemic has reduced the profitability of contact-intensive businesses such as retail trading, hotels and restaurants, air transportation services, transportation logistics services, and education.

Impact on labour market

The Indian labour market suffered a severe decline during the first wave of the epidemic, with unemployment hitting an all-time high and labour force participation plummeting.

Impact on agriculture

Agriculture remained robust in terms of production during the pandemic since agriculture and allied activities were spared from the lockdown restrictions.