

Analysis of Indian Economy

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Abstract: *The impact of British economic policies was disastrous for Indian economic development and it marred the life of all sections, particularly the labour sections and put them into the life of poverty and destitution. In the present paper, there is analysis of Indian economic situations before and after independence. The main gainers from the British regime were the so called middle class of Indian capitalists and professionals, and the noble villagers. Most of these were high caste Hindus though the Parsis and Sikhs did fairly well. The main losers were the Muslims who had formed the major part of the Moghul aristocracy, officer corps, lawyers, and artisans in the luxury handicrafts. The basic foundations of the Indian Economy began after the independence.*

Keywords: Indian economy

I. INTRODUCTION

In the beginning, our country India was rich in economy, culture and polity. But it was due to advent of foreigners that it gradually got pushed into backwardness. This is what is believed by most of the Indian researchers. However, the most British researchers attribute economic stagnation during the British period to: over population, religion, caste, social attitude, value system and other social institutions. This approach was called as colonial approach (Knowles, 1928; Anstey, 1952). But the national scholars (Sarkar, 1985; Naoroji, 1901 and 1996; Chandra, 1981; Dutt, 1970; Ambedkar, 1925) rejected the statements of British administrators and writers of colonial schools with regard to India's economic underdevelopment, and strongly argued with suitable explanations that the economic policies of the British rule in India were primarily responsible for the country's bad economic conditions. According to them, the British rulers of India consciously shattered the country's economy, appropriated its wealth and drained it out to England and created all possible working to its development.

In reporting a meeting of the Anti-Opium Society in 1888, a London paper stated: "So far is warfront taxing ourselves for India's benefit that we are regularly taxing India, for our own benefit? The proceeds of the opium monopoly and of the salt tax together only amount to ten million, while the home charges of the Indian Government are fourteen million sterling. But while we as a nation are thus pocketing one-fourth of the Indian revenue, we still have the effrontery to talk of the sin of the opium trade and the barbarity of the salt tax."

1.1 Land System Policy

The growth of a new land system in India affected the India's economy. In 1793, Lord Cornwallis introduced permanent settlement in Bengal and neighboring states. By introducing this new

Zamindari system, the peasants lost their ownership right over the land which in the past belonged to them. Since the Zamindars enjoyed the right to raise the rent they mercilessly exploited the tenants. After some times, the British extended the settlement policy to other states and created Zamindars there too, but they changed it to temporary settlement under which land revenue would be reassessed after a period ranging between 25-40 years.

By a different land system called Ryotwari settlement was evolved for large parts of Bombay and Madras which subsequently was extended to North-Eastern and North-Western India. By this system, each peasant holding a plot of land was recognized as the landlord and made directly responsible to the state for the annual land revenue payment. The conditions of farmers under the Ryotwari system should not have been as bad as under the Zamindari system. The greed of the Britishers was responsible for the sad situations of farmers under this system.

In the same manner, a deliberate policy was pursued to destroy other industries in India. The Court of Director opposed the use of Indian ships in trade between England and India which not only obstructed India's export to Britain, but also created a serious setback for the Indian shipping industry thereby serving the twin targets of Britishers. Tata wanted to set up an iron and steel plant in Central Provinces in 1880's but the government did not give him permission, preventing India to develop iron and steel industry. By the development of railway systems, iron and steel industries were developed in Western European countries and the UK. Hence, India lost the opportunity due to the negative approach of the Britishers. Also, a big setback of Indian economy was the commercialization of agriculture to supply raw materials to British manufacturers. It led into two negative things for the Indians. First, it led to shortage of food grains especially during famine. In fact, according to historians the British created famine in India through its inhuman policy. Secondly, the manufactured engine goods with lot of incentives and privileges they received flooded into Indian markets; so, they destroyed Indian cottage and handloom industry. These were the important policies of British Empire through which it exploited India. India was the mute spectator to its own destruction by some foreign power. A historian Wilson had said, "*Had India been independent, she would have retaliated, would have proposed prohibitive duties upon British goods, and would thus have preserved her own productive industry from annihilation*". The act of self-defense was not permitted to us; we were at the mercy of the stranger. British goods were forced upon us without paying any duty, and the Indian manufacturer employed the arm of political injustice to keep down and ultimately strangle a competitor with whom he could not have contended on equal terms (Dutt, 1963).

1.4 Drain of Wealth

A famous Indian reformer Dadabhai Naoroji emphasized that the drain of wealth and capital from the country was responsible for absence of development of India. According to him, "*The drain consist of two elements – first, that arising from the remittances by European officials of their savings, and for their expenditure in England for their various wants both there and in India: from pensions and salaries paid in England, and second that arising from remittance by non-official Europeans*" (Naoroji, 1901).

According to him, the drain amounted to L50 crores from 1835 to 1873. In his opinion the total drain from 1834 to 1839 amounted to L85 crore. In his estimates, the profits earned by the British capitalist from the capital invested in India have not been included. K.T. Shah and K.J. Khambata presented estimates of drain in the early decade of the twentieth century. In their opinion Britain appropriated annually under one head or in the other over 10 per cent of India's Gross National Income (Dutt, 1970).

Due to inhuman and exploitative British policies, the people were adversely affected. It effected more on the life of poor and labor. It created devastating famine for their misery. Extensive descriptions of poverty under the British rule have been presented by the scholars such as Naoroji, Dutt, Ray etc. According to Naoroji: "India is suffering seriously in several ways and is sinking in poverty" (Naoroji, 1901 and 1996) and that "masses of India do not get enough to provide the basic necessities of Life". He further said: "*The fact was that Indian Natives were more helots. They were worse than American slaves, for the latter were at least taken care of by their masters whose property they were*" (ibid.: 652).

II. ECONOMY AFTER INDEPENDENCE

India became an independent nation on August 15, 1947. Prior to that the Indian subcontinent was under the British rule for nearly two centuries which is a very long period to sufficiently influence every aspect of the country such as politics, culture, social system, economy etc. On 14 August 1947, Nehru had said: "*Long years ago we made a tryst with destiny, and now the time comes when we shall redeem our pledge. The achievement we celebrate today is but a step, an opening of opportunity, to the great triumph and achievements that await us.*" He reminded the country that the tasks ahead included "*the ending of poverty and ignorance and disease and inequality of opportunity*".

These were the basic foundations on which India begin a new project upon its path of development since gaining independence in 1947. India inherited the economy from the British who were ruling this country for their own gain. The Britishers were never interested in the development of India or its citizens. Their aim was to exploit the resources of India and take away as much as possible to their country England. That was the reason why railway lines were laid so that things can be transported to port areas for shipment to England. Even if construction of railways was a positive contribution, it was mostly used to serve the British interest. At the time of independence, Indian economy was generally rural and agricultural. At the beginning years of the First Five-year Plan, contribution of the primary sector in GDP at factor cost was largest followed by tertiary sector and secondary sector respectively? Thereafter the major drive towards diversification and modernization of the Indian economy in the following plans resulted in increased shares of the secondary and tertiary sectors and declined share of the primary sector in the national product. The share of the primary sector in GDP at factor cost declined from 54.56% in 1950-51 to 27.87% in 1999-00 while share of the secondary sector was 16.11% in 1950-51 and increased to 25.98% in 1999-00. The share of the tertiary sector increased from around 29% to 46% during this period. Indian economy also experienced a major structural change within the industrial sector as a result of

the major drive for industrial diversification in the mid-fifties.

Whereas, the share of the capital goods industries and the basic goods industries in the total industrial value added increased more or less rapidly, the share of the consumer goods in total industrial value added declined considerably. The objective of India's development strategy has been to establish a socialistic pattern of society through economic growth with self-reliance, social justice and alleviation of poverty as given in the constitution. These objectives were to be achieved within a democratic political framework by using the mechanism of a mixed economy. India initiated planning for national economic development with the establishment of the Planning Commission. The aim of the First Five Year Plan (1951-56) was to raise domestic savings for growth and to help the economy resurrect itself from colonial rule. The real break with the past in planning came with the Second Five Year Plan (Nehru-Mahalanobis Plan). The industrialization strategy given by Professor Mahalanobis placed emphasis on the development of heavy industries and envisaged a dominant role for the public sector in the economy. The entrepreneurial role of the state was evoked to develop the industrial sector of country.

III. GOVERNMENT INITIATIVES

Lot of foreign companies is setting up their facilities in India on account of various government initiatives like Make in India, Digital India etc. Mr. Narendra Modi, Prime Minister of India, has launched the Make in India initiative with an aim to boost the manufacturing sector of Indian economy. This initiative is expected to increase the purchasing power of an average Indian consumer, which will further boost demand, and hence spur development, in addition to benefiting investors. Also, the Government has also come up with Digital India initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and to high up the digital literacy. Finance Minister Mr. A. Jaitley stated: "*the government is looking at a number of reforms and resolution of pending tax disputes to attract investments*".

At present, the manufacturing sector in India contributes over 15 per cent of the GDP. The Government of India, under the Make in India initiative, is trying to give boost to the contribution made by the manufacturing sector and aims to take it up to 25 per cent of the GDP. The government's initiative plans for investment have been undertaken which are as follows:

- The British telecom giant Vodafone, India's second largest telecom operator, plans to invest over ₹ 13,000 crore (US\$ 1.96 billion) in India, to upgrade and expand its network and also for its payments bank operations.
- The Chinese smart phone handset maker, Vivo, has set up an assembly unit in India at Greater Noida which will initially manufacture 150,000 smart phones a month, to produce three smart phone models, namely Y11, Y21 and Y15S.
- The Foxconn Technology group, Taiwan's electronics manufacturer, is planning to manufacture Apple iPhones in India. Besides, Foxconn aims to establish 10-12 facilities in India including data centers and factories by 2025.
- US-based First Solar Inc and China's Trina Solar have plans to set up manufacturing facilities in India. Clean energy investments in India increased to US\$ 7.9 billion in 2014

increased to 10.07 US\$ to help the country maintain its position as the seventh largest clean energy investor in the world.

- The city, Hyderabad is set to become the mobile phone manufacturing hub in India and is expected to create 150,000 – 200,000 jobs. Besides, the Telangana Government aims to double IT exports to ₹ 1.2 trillion (US\$ 18.7 billion) up to 2019.
- General Motors plans to invest US\$1 billion in India by 2022, for increasing the capacity at the Talegaon plant in Maharashtra from 130,000 units a year to 220,000 by 2025.
- Hyundai Heavy Industries (HHI) and Hindustan Shipyard Ltd have joined hands to build warships in India. Also, Samsung Heavy Industries and Kochi Shipyard will be making Liquefied Natural Gas (LNG) tankers.
- JSW Group plans to expand its cement production capacity to 30 MTPA from 5 MTPA by setting up grinding units nearer to its steel plants.

By the Digital India initiative, the different steps have been taken by the Government of India. Some of them are as follows:

- The Government of India has started a digital employment exchange that will allow the industrial enterprises to find suitable workers and the job-seekers to get employment. The core purpose of the initiative is to strengthen the communication between the stakeholders and to improve the efficiencies in service delivery for the MSME ministry. According to officials at the MSME ministry over 200,000 people have so far registered on the website.
- The Ministry of Human Resource Development recently launched Kendriya Vidyalaya Sangathan's (KVS) e-initiative, KV Shaala Darpan" aimed to providing information about students electronically on a single platform. The program is a step towards realising Digital India and will depict good governance.
- The Government of India announced that all the major tourist spots like Sarnath, Bodhgaya and Taj Mahal will have a Wi-Fi facility as part of digital India initiative. Also, the Government has started providing free Wi-Fi services at Varanasi ghats.

By the recommendations of the Foreign Investment Promotion Board (FIPB), the Government of India has recently approved 18 proposals of FDI amounting to 74.01 \$ Billion approx. in the calendar year 2021. The Government of India has also launched an initiative to create 100 smart cities as well as Atal Mission for Rejuvenation and Urban Transformation (AMRUT) for 500 cities with an outlay of 48,000 crore (US\$ 7.47 billion) and 50,000 crore (US\$ 7.78 billion) crore respectively. Smart cities are satellite towns of larger cities which will consist of modern infrastructure and will be digitally connected. The program was formally launched on June 25, 2015 and on growth till 2021. The Phase I for Smart City Kochi (SCK) will be built on a total area of 650,000 sq. ft., having floor space greater than 100,000 sq. ft. Also, it will also give a total of 6,000 jobs in the IT sector.

IV. CONCLUSION

Hence, it can be concluded that the overall impact of British economic policies was disastrous for Indian economic development and it marred the life of all sections, particularly the labor sections and put them into the life of poverty and destitution. Thus the main gainers from the British regime (apart from the British) were the so called middle class of Indian capitalists and professionals, and the village squirearchy. Most of these were high caste Hindus though the Parsis and Sikhs did fairly well.

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