



“शिक्षा मानव को बन्धनों से मुक्त करती है और आज के युग में तो यह लोकतन्त्र की भावना का आधार भी है। जन्म तथा अन्य कारणों से उत्पन्न जाति एवं वर्गगत विषमताओं को दूर करते हुए मनुष्य को इन सबसे ऊपर उठाती है।”

— इन्दिरा गाँधी



ignou
THE PEOPLE'S
UNIVERSITY

“Education is a liberating force, and in our age it is also a democratising force, cutting across the barriers of caste and class, smoothing out inequalities imposed by birth and other circumstances.”

— Indira Gandhi

Block

1

DEVELOPMENT INITIATIVES AND PLANNING

UNIT 1

Pre-Independence Development Initiatives in India **5**

UNIT 2

Planning and Development Initiatives: Pre Liberalization
Period **21**

UNIT 3

Planning and Development Initiatives: Post Liberalization
Period **38**

UNIT 4

Globalization and Development in India **55**

ORIGINAL PROGRAMME DESIGN COMMITTEE

Prof. Amita Shah
Gujarat Institute of Development Research
Ahmedabad

Prof. S. K. Bhati
Jamia Millia Islamia University, New Delhi

Prof. J. S. Gandhi (Rtd)
Jawaharlal Nehru University, New Delhi

Prof. Gopal Krishnan (Rtd)
Punjab University, Chandigarh

Prof. S. Janakrajan (Rtd)
Madras Institute of Development Studies Chennai.

Prof. Kumar B. Das
Utkal University, Bhubaneswar

Prof. Nadeem Mohsin (Rtd)
A.N.Sinha Institute of Social Sciences, Patna

Prof. P. Radhakrishnan
Madras Institute of Development Studies, Chennai

Prof. Ramashray Roy (Rtd)
Centre for Study of Developing Societies
New Delhi

Prof. R. P. Singh (Rtd)
Ex-Vice-Chancellor, MPUAT, Udaipur

Prof. K. Vijayaraghavan
Indian Agriculture Research Institute, New Delhi

Dr. Nilima Shrivastava, IGONU, New Delhi

Prof. B. K. Pattanaik, IGNOU, New Delhi

Dr. Nehal A. Farooquee, IGNOU, New Delhi

Dr. P. V. K. Sasidhar, IGNOU, New Delhi

REVISED PROGRAMME DESIGN COMMITTEE

Late Prof. T S Papola(Rtd)
Institute of Studies in Industrial Development
New Delhi

Prof. S. Janakrajan (Rtd)
Madras Institute of Development Studies Chennai.

Prof. S. K. Bhati
Jamia Millia Islamia University, New Delhi

Prof. Preet Rustagi
Institute of Human Development, New Delhi

Prof. Gopal Iyer (Rtd)
Punjab University, Chandigarh

Dr. S Srinivasa Rao
Jawaharlal Nehru University, New Delhi

Dr, S, Rubina Naqvi
Hindu College, University of Delhi, Delhi

Prof. Nadeem Mohsin (Rtd)
A.N.Sinha Institute of Social Sciences, Patna

Prof. Rajesh, Delhi University, New Delhi

Prof. B. K. Pattanaik, IGNOU, New Delhi

Prof. Nehal A. Farooquee, IGNOU, New Delhi

Prof. P. V. K. Sasidhar, IGNOU, New Delhi

Dr. Pradeep Kumar, IGNOU, New Delhi

Dr. Grace Don Nemching, IGNOU, New Delhi

Dr. Nisha Varghese, IGNOU, New Delhi

COURSE PREPARATION TEAM

Units Writers:

Dr. Pradeep Kumar (Units 1)
IGNOU, New Delhi

Professor B.K. Pattanaik (Unit 2)
IGNOU, New Delhi

Dr. Nisha Varghese (Units 3)
IGNOU, New Delhi

Professor S. Majumdar (Unit 4)
ISID, New Delhi

Editors:

Prof. T.S. Papola
Institute for Studies in Industrial Dev.
(Content Editor)

Prof. B.K. Pattanaik
IGNOU, New Delhi

Prof. Nehal A. Farooquee
IGNOU, New Delhi

Prof. P. V. K. Sasidhar
IGNOU, New Delhi

Programme Coordinators: Prof. P.V.K. Sasidhar, Prof. B.K. Pattanaik, Prof. Nehal A. Farooquee

Course Coordinator : Prof. Nehal A. Farooquee

PRODUCTION TEAM

Mr. S. Burman
Dy. Registrar (Publication)
MPDD, IGNOU, New Delhi

Mr. K.N. Mohanan
Asst. Registrar (Publication)
MPDD, IGNOU, New Delhi

Mr. Babu Lal Rewadia
Section Officer (Publication)
MPDD, IGNOU, New Delhi

December, 2018

© Indira Gandhi National Open University, 2018

ISBN: 978-93-88498-14-2

All rights reserved. No part of this work may be reproduced in any form, by mimeograph or any other means, without permission in writing from the Indira Gandhi National Open University. Further information on the Indira Gandhi National Open University courses may be obtained from the University's office at Maidan Garhi, New Delhi.

Printed and published on behalf of the Indira Gandhi National Open University, New Delhi by the Registrar, MPDD, IGNOU, New Delhi.

Laser Typeset by Tessa Media & Computers, C-206, A.F.E.-II, Okhla, New Delhi.

Printed at : Raj Printers, A-9, Sector B-2, Tronica City, Loni (Gzb.)

MDV-109 DEVELOPMENT IN INDIA – AN OVERVIEW

Welcome to the Course MDV- 109 on “Development in India – An Overview”. As you all know that development is a multidisciplinary subject of social science which addresses the issues of concern to developing countries, and it has historically placed a particular focus on issues related to social and economic development, and its relevance therefore continues to extend to communities and regions outside of the developing world. It is also well known that the developing nations are facing many daunting problems and they are confronting many new issues with regard to development in the post liberalization period. Therefore it is pertinent to study development in India with emphasis on pre and post liberalization period. The main aim of this course is to make you all aware about the various issues, historical facts and policies relating to development in India in the pre and post liberalisation period. This course is divided into following five blocks.

The Block 1 deals with the basics of development initiatives and planning process in India, how the planning and development initiatives have taken place in the pre and post liberalization period.

The Block 2 discusses the issues related to rural development in India, with emphasis on agriculture and rural development, rural industrialization, rural poverty and unemployment.

The Block 3 gives an account of urban development in India, describing the various kinds of social and infrastructural issues, with emphasis on migration and urban problems and various development interventions in this regard.

The Block 4 deals with social development issues focussing on the issues relating to the scheduled castes, scheduled tribes and role of youth in development. It also discusses various initiatives and policies in this regard.

The Block 5 gives an account of various kinds of roles played by public, private and service sectors in the process of development. It also describes about the roles of unorganized sectors in development.

BLOCK 1 DEVELOPMENT INITIATIVES AND PLANNING

The development initiatives and planning has occupied a prominent place in the greater national discourse on economic issues since the pre-independence era in India. Gandhiji described large business as ‘trusts’ of the ‘wealth of the people’ and thus emphasized on the larger social purpose that industrial wealth should serve in independent India. The real development process of India started after the Independence with the formation of the Planning Commission. During the pre-liberalization phase public sector was playing important role in the socio-economic development of India. The private sector was only playing a limited role. The development strategies and process was guided by the planning under the stewardship of Planning Commission established at the central as well as at the state level. However, after the 1990s, liberalization process started in India; as a result the private sector started playing an important role in the economic growth and development process in the country. The emphasis on rural and urban development, development with equity and equality, and energising contribution of all the sectors towards economic growth and development formed the corner stone of the economic development processes and strategies of India. This block gives a holistic perspective of development initiatives undertaken during pre and post liberalization period of India.

Unit 1, **Pre-Independent Development Initiatives**, focuses on various development initiatives under taken prior to our independence by the Mughal and during the colonial rule.

Unit 2, **Planning and Development Initiatives: Pre Liberalization Period**, describes the various kinds of development initiatives and planning process in the post independence and pre-liberalization period. In other words, it gives an overview of the development initiatives undertaken after independence and before 1991, the known as pre-liberalization period.

Unit 3, **Planning and Development Initiatives: Post Liberalization Period**, unit discusses the planning and development initiatives undertaken during the post liberalization period. In other words, the development initiatives those were taken after the liberalization period, 1991.

Unit 4, **Globalization and Development in India**, unit discusses about the issue of globalisation, it has raised many contested debates about its conceptualisation: is it a “process”, a “phase”, an “ideology”, a “trend” or a “path of development”? It is in this context that pinning down or reducing globalisation to one perspective or one phenomenon becomes untenable. Keeping in mind shifting paradigms, this unit tries to address the issues of governance and globalisation from five different but interlinking dimensions: conceptual, state-level reforms and development from the economic, social, cultural and political perspective.

UNIT1 PRE-INDEPENDENCE DEVELOPMENT INITIATIVES IN INDIA

Structure

- 1.1 Introduction
- 1.2 The Concept of Development
- 1.3 Early Development in India
- 1.4 Mughal Empire and Development
- 1.5 Colonial Period and Economic Situation
- 1.6 Colonial Impact on Indian Agriculture, Industry and Foreign Trade
- 1.7 Drain Theory
- 1.8 Let Us Sum Up
- 1.9 Key Words
- 1.10 References and Suggested Readings
- 1.11 Check Your Progress- Possible Answers

1.1 INTRODUCTION

The purpose of this unit is to provide the historical sketch of development initiative in India. For this historical background and basic conception of development is necessary for understanding of present and future development of India. India's deep rooted history of development and change also explained by Karl Marx through Asiatic mode of production. Hence, the historical knowledge of development is pre-condition for understanding the development process in India. The notion of development viewed as overall changes including economic context, social system, psychological and technological innovations in the long history of Indian society. However, this is very difficult task of to encompass such a long historical discourse within one unit. Hence, the unit will to provide you a brief sketch of changes in mode of production, in short, glance of development prior to British India. The major thrust has given to introduce the development of British colonial period and particularly the economic drain theory developed by Indian nationalists. The impact this theory is very significant for changing the process of economic development in colonial period. After reading this unit, you will be able to:

- understand the concept of development, its various connotations and the dynamics of development in India,
- describe the nature of early development, particularly in ancient and medieval India, and
- explain the economic drain theory propounded by Indian nationalists and the economic context during British India.

1.2 THE CONCEPT OF DEVELOPMENT

The concept of development refers to the planned change for better quality of life. This is a planned process to organise human energies and productive resources to respond to opportunities and challenges. The development takes place on a

foundation of four levels of infrastructure — physical, social, mental and psychological. The concept has started with economic connotation like economic growth measured in terms of per capita income and gross domestic product (GDP). Thus, initially it was confined to economic growth including advancement in industry/ manufacturing, banking, commerce, agriculture; foreign trade (export-import); infrastructure- energy and power, communication and transport. Besides economy, there are non-economic considerations like social issues, human aspects, gender concern and environment which are further, supportive to economic growth and development in the long run. Keeping the view of non-economic concerns like, the equal distribution and other aspects of sustainable development have been given emphasis in the process of planning.

Gunnar Myrdal, W. W. Rostow and other development thinkers consider development as economic development and finds the causes of under development in any country is due to following factors-low income, predominance of agriculture, predominance of primary exports, insufficient capital and traditional technique, illiteracy and skill shortage, serious population pressure, unemployment and particularly disguised unemployment. This is based on assumption that the growth causes development because some of the increase in income gets spent on human development such as education and health. Whereas underdevelopment or dependency thinkers, following Marxian perspective, refuted the view and argued that the backwardness is not because of above mentioned factors rather inequality and exploitation. According to them, poor countries have sometimes experienced economic growth with little or no economic development; for instance, in cases where they have functioned mainly as resource-providers to wealthy industrialised countries. Therefore, the notion of development has changed with addition of new connotations from economic growth, social justice including gender and human development as well as the sustainability dimension.

1.3 EARLY DEVELOPMENT IN INDIA

As a process of change, development has always existed through out the Indian history in some form or the other. Since Indus valley civilisation, it has been revealed as earliest town planning- architectural excellence, effective transportation and trade with other contemporary civilizations like Mesopotamia (now Iraq). How development traverses through Indian history can be observed as a major changes and advancement to human life. Here, we will make a brief sketch of ancient and medieval period of India's development while major thrust will be given to modern period. According to Karl Marx, Asiatic mode of development is the oldest in the history of mankind and which possess three oldest river valley civilisations- Mesopotamia, Chinese and Indus Valley. In Asia, the history of Indian society is rooted more than 5000 years old and the history of development is also deep rooted in ancient India and it can be observed from the discovery of metals- copper, iron and bronze. The discovery has played a critical role in agriculture and life conditions.

The Indus Valley civilisation characterised with initial town planning of the world and major development in transport technology and other urban infrastructure. Two such early cities are Mohenjo-daro and Harappa shows the excellent town planning and architectural evidences, The civilisation includes Citadel, Granary, common pond, road and drainage system. The Indus civilization's economy appears

to have depended significantly on trade and commerce, there is also evidence of external trade relations with other river valley civilisations. Such long-distance sea trade became feasible with the innovative development of plank-built watercraft, equipped with a single central mast supporting a sail of woven rushes or cloth. There was an extensive maritime trade network operating between the Harappan and Mesopotamian civilizations. Romila Thapar writes that there were also trade contacts with people of northern Afghanistan from where the Harappans brought the famous blue gemstone and Lapis Lazuli. The advances included bullock-driven carts that are a very common throughout South Asia even today, as well as water navigation. Probably, the most of the navigation were small boats, flat-bottomed craft, driven by sail, similar to those one can see on the river today. Further, archaeologists have discovered a massive, dredged canal and docking facility at the coastal city of Lothal. They also developed their language in pictographs, unfortunately could not unravel till now. In Vedic period Painted Grey Ware is another significant evidence of development of art and craft. Further, the Indus Valley Civilization is called a literate society based on the evidence of these inscriptions, this description has been challenged on linguistic and archaeological grounds however could not be spelt out till date. The inscriptions are unparalleled in any known premodern literate society.

Further Aryabhata, Varahmihir, Charak, Brahmagupta, Susrata, Jivak and many others played significant role in the development of mathematics, astronomy and medicine in ancient period and these forms of knowledge got translated into Arabic. The rich architectural techniques can also traced from different monuments- temples Konarak (Sun temple), Puri, Lingraj, Khajuraho, a group of Jain temples (Mount Abu), and later on Turk and Afghans brought new styles and techniques of architecture as well. However, the Harappans developed metallurgy of copper and bronze, the Vedic Aryans tanned leather, fermented grains and fruits, and dyed scale production of copper, iron and steel, brass, silver and gold and their alloys. Indian steel was highly esteemed in the ancient world and it was exported in large quantities.

Subsequently, the Mahajanapadas (600 BC) minted *punch-marked* silver coins. The period was marked by intensive trade activity and urban development. Thereafter a firstly unified administration of the Indian subcontinent traced in the Mauryan Empire (300 BC). During this period, trade routes became more secure and the road system was expanded. The political unity and military security allowed for a common economic system and enhanced trade and commerce, with increased agricultural productivity. Farmers were freed of tax and crop collection burdens from regional kings, paying instead to a nationally-administered and strict-but-fair system of taxation as advised by the principles in the Arthashastra. Chandragupta Maurya established a single currency across India, and a network of regional governors and administrators and a civil service provided justice and security for merchants, farmers and traders. Buddhism and Jainism- two well known religious order has been established in this period to propagate the idea of non-violence which became the basis of further development like monasteries, educational institutions as well as the sculpture and paintings etc. Through Buddhism, later on, trade and missionaries spread to other parts of Asia i.e. Central Asia, China, Tibet and south-east Asia. During this period, educational institutions were held in the temples and taught by Brahmins to the higher caste children. Apart from these institutional settings, there is also evidence of two well known universities in Taxila and Nalanda. Jivak Komarabhacca, the founder

of Buddhist medicine and his contribution in ayurveda considered as treasure for modern medicine.

One of the biggest change observed during medieval period from ancient India is that the revenue collection system through intermediaries. This change affected not only the direct control of kingdom but also other aspects of life. The most suffering section of this change were the peasants, they paid the revenues of the land, as well as extra taxes for irrigation, roads and other support services in addition to free labour to their feudatories. This has made the king's position both economically and politically weaker. For the next 1500 years, India produced its classical civilizations such as the Rashtrakutas, Hoysalas and Western Ganges. During this period, India is estimated to have had the largest economy of the ancient and medieval world between the 1st and 15th centuries AD, controlling between one third and one fourth of the world's wealth up to the time of the Marathas, from whence it rapidly declined during European rule.

1.4 MUGHAL EMPIRE AND DEVELOPMENT

The Mughal Empire was characterised by political unity, centralised administration, a uniform revenue system, fairly a good network of inland trade, growing economic links and overseas trade. It is observed that the hold of Mughal empire is more than about 90 per cent of South Asia (almost 1,000 million acres or 4 million square km) and a uniform customs and tax administration system was enforced. It had facilitated trade and commerce across the sub-continent, agriculture was still at subsistence level and contributed a major share in productivity. In 1526, the empire established by Babur and reported as the second largest economy in the world. Arjun Dev, a noted historian, estimated Mughal's economy about 24.5 per cent of world's economy (second largest in the world) in 1526. In 1600 AD, the gross domestic product of the Mughal India was 22.6 per cent of the world economy, while Ming China's was 29.2 per cent. W H Moreland (1962) writes that the Mughal economy seems to have been at its peak under Akbar and later on it has declined. During eighteenth century, the decline of Mughal empire and the emergence of few kingdoms as well as increasing hold of East India Company changed this economic position. Mughals were replaced by the Nawabs in north India, the Marathas in central India, the Nizams in south India and British East India Company in Bengal. However, the Mughal tax administration system was left largely intact. Therefore, till early eighteen century, India emerged as the world's largest economy along with China and Western Europe. In 1750, a rough estimate suggested that Indian gross domestic product (GDP) was 80 per cent of China, while in 1775; it was about 70 per cent of China.

Agriculture and allied industry

Since time immemorial, agriculture and allied industries based on agricultural produce were major source of economy in the sub continent. During Mughal period, these two sectors were not only the largest sources of income to state but also those were the sources of livelihood to the large majority of people in India. Major crops were cereals, millets, oilseeds, sugarcane, cotton, hemp, chilli, indigo and betel. Farm implements were very poor and ploughs are made of wood. Crop residue and cow dung were not used as manure rather as compost, fuel and building materials. Crops were damaged by rodent and insect pests which were not checked for socio-religious considerations. Irrigated area was small as it

was mainly dependent on monsoon. There were more cattle than Europe but yield was less. Reliance on the monsoon meant that agricultural output fluctuated more than that in case of Europe, and therefore, the occurrence of famine was more frequent. Broadly, the collection of revenue from two sources i.e. the land and trade. There is also evidence of good revenue collection such as, the annual revenue of Emperor Akbar's treasury at 17.5 million pound in the same period, equal to the entire treasury of Great Britain in 1800 AD. Subsequently, Aurangzeb's exchequer (1700 AD) exceeded 100 million pound twice that of Europe. It is also evidenced through a number of handicraft industries produced high quality cotton textiles, jute, silks jewellery, decorative sword and weapons besides minerals and other resources. Artisans also worked and contributed to the second largest revenue generation after agricultural produce. India was trading relations with Europe, China, East Africa, Persia, and Russia. Many urban centers developed with trade, such as Decca, Madurai, Ahmedabad and Surat for cotton, Banaras, Agra, Merrut for silk. Similarly, many other towns emerged as the specialised trading centres. Meddison (1971) explains the status of peasants and inequality within society. He viewed that the living standards of ordinary people in this period were lower than those of European peasants and their life expectancy was shorter. However, the life style of Indian ruling class surpassed the European aristocracy in luxury goods. Hence, the overall production and income was substantially good while limited to aristocratic class.

Other Aspects of Development

During 16th and 17th centuries, we find a fine synthesis between Islamic astronomy and Indian astronomy, where Islamic observational techniques and instruments were combined with Hindu computational techniques. While there appears to have been little concern for theoretical astronomy, Muslim and Hindu astronomers in India continued to make advances in observational astronomy and produced nearly a hundred Zij treatises. Some of these well known heritage site even today like Jaipur, Udaipur, Mathura, Jaipur, Ujjain, and Banaras. Humayun built a personal observatory near Delhi, while Jahangir and Shah Jahan were also intending to build observatories but were unable to do so. The instruments and observational techniques used at the Mughal observatories were mainly derived from the Islamic tradition, and the computational techniques from the Hindu tradition. One remarkable astronomical instruments of this period is the seamless celestial globe. One of the most remarkable innovations in metallurgy, the seamless globe and celestial globe were invented in Kashmir by Ali Kashmiri ibn Luqman, and twenty other such globes were later produced in Lahore and Kashmir during the Mughal Empire. Another famous series of seamless celestial globes was produced using a lost-wax casting method by Muhammad Salih Tahtawi with Arabic and Persian inscriptions. It is considered a major feat in metallurgy. These Mughal metallurgists pioneered for the method of wax casting while producing these seamless globes.

Besides these, Mughal Emperors has given patronage to music, literature, art and architecture. In this period Mughal court is a patron for Hindustani music, Carnatic music, Dhrupad, Khayal, Thumri. The Mughal architecture remembered for combined finest features of Indian and foreign architecture, characterised with domes of various shapes, decorated arcs, tall minarets, balconies, small pavilions and other decorative features. The use of red stone buildings, marbles and well balanced proportion of the building is another beautiful part of their architect. Marvellous Mughal gardens constructed between Central Asia and South Asia

are beautiful examples of landscape architecture. Education facilities and the content of education were no better than in medieval Europe, and much worse than in Europe after the Renaissance. Meddison says that Muslim education was entirely religious and carried out in *madrassas* where boys learned the Koran in Arabic. Hindu education was confined to religious instruction for higher-caste boys in Sanskrit. Neither religious group provided education for women. There was no Hindu higher education of a secular character. The theology of Hinduism did not encourage the growth of rational thought, and the social system hindered technical innovation.

Later on economic historians equated the declined of Mughal Empire and the downward trends in the Indian economy. Aurangzeb also observes this trend but unable to control owing to its own administrative weakness in many regions. The Mughal period had no uniform economic condition either in different provinces or periods but certainly traced better life conditions in term of agricultural produce, employment particularly self employment and self sufficient economy than the colonial period.

In this session you read about the development initiatives taken during early and Mughal period and now answer the questions given in Check Your Progress-1.

Check Your Progress 1

- Note:** a) Answer the following questions in about 50 words.
b) Check your answer with possible answers given at the end of the unit.

1) What do you mean by development?

.....
.....
.....
.....

2) Briefly describe the development of India during Indus Valley Civilisation.

.....
.....
.....
.....
.....
.....

1.5 COLONIAL PERIOD AND ECONOMIC SITUATION

The nature and character of colonial rule including, all European companies, was based on economic gain and political hold to support their interest. In earlier section, we saw the political and economic policy followed in Mughal period,

now we will compare it with British economic policy. Bipin Chandra makes a very explicit distinction between British conquest and other foreign conquest in the Indian history that except British, all foreign conquerors had overthrown Indian political powers but made no basic changes in the country's economic structure; rather gradually they became the part of Indian society. British economic policy made huge transformation from a 'self sustaining Indian economy' to 'dependent colonial economy' for their interest. The trade and resource exploitation was the major concern other than evangelical, however, latter one has refuted by different thinkers. In India, British association starts with the East India Company's trade in some selected pockets. Initially, the company had two fold purpose- 1) raw material for their factories, and 2) searching market of their manufactured product. Further, the company moved ahead to acquire administrative and political power.

To understand the concept of economic drain theory, it is necessary that learner should understand the Indian economic institutions and context during colonial period and British commercial policy. The East India Company along with other European companies travelled to India for trade from the beginning of the 17th century. Broadly we may divide the British colonial period into three phases in terms of their changing status and role.

1.5.1 Early British Period: From 1600 AD to 1757 AD

The East India Company has started as trading organisation in India since 1600 covering eastern part. As a trading organisation, it has brought large precious metals particularly silver and gold to India and in place of that exported Indian cotton cloths, silk, salt peter, spices and other good which was high demand across the world market. The East India Company earned a good profit from these transactions and this profit also some extent shared with Indian manufacturers and big producers which helped for company's interest. In this process, no doubt the company also provided good market for Indian products.

1.5.2 From Plassey War to 1857 AD

The Plassey war (1757) the succession of British East India Company is one important juncture which has decided the fate of India for colonial rule. Thereafter the company had acquired both economic and political power in Bengal province. That is detrimental not only for revenue collection but also to make the authoritative trade policy. This change has long term impact on Indian farmer and traders. Before that, there were high demand of Indian products across the world and pouring of bullions into India has created a sense of jealousy among British traders. The reason for jealousy is due to unilateral demand of Indian products and precious metals silver and gold. Secondly, the demand of their manufactured products were not able to change this unilateral trade.

1.5.3 British Crown Period: 1858 onward

Thirdly, the transfer of power from the East India Company to the British Crown in 1858, when almost all parts of the sub-continent was under colonial power. During this period the Mughal political structure was very strong and the company has been given permission of trade and commercial activities in limited in a limited way, while 1757 was a turning point of getting political control in Bengal apart from trading role and further increasing political hold. (Many plans of development) **The Bombay Plan** (1944) is the name commonly given to a World War II-era set of proposals for the development of the post-independence economy

of India prepared by seven leading Indian industrialists- Jehangir Ratanji Dadabhoy Tata, Ghanshyam Das Birla, Ardeshir Dalal, Sri Ram, Kasturbhai Lalbhai, Ardeshir Darabshaw Shroff and John Mathai. They proposed state intervention in the economic development after independence. The major thrust was to doubling the agricultural production and a five-fold growth in the industrial sector. A key principle of the Bombay Plan was that the economy could not grow without government intervention and regulation, the Plan proposed that the future government protect indigenous industries against foreign competition in local markets. An alternative line of reasoning is that the Bombay Plan was a reaction to the widespread social discontent of the 1940s (resulting from unprecedented industrial growth during wartime), and a product of the fear that the movement against colonial rule would become a movement against private property. It also reaped criticism: the far left criticized the capitalistic background of the Plan and the plan did not go far enough. The far right foresaw it as a harbinger of a socialist society, and considered it a violation of the agreements of the United Nations "Bretton Woods Conference". Economists criticized the plan on technical grounds.

1.6 COLONIAL IMPACT ON INDIAN AGRICULTURE, INDUSTRY AND FOREIGN TRADE

The impact economic drain on the one hand diverted the wealth and other resources out of country while other side ruined the existing mode of production and created a long term dependency and impoverishment. The nature of dependency can be looked through three important sector- agriculture, industry and foreign trade. Critically, he analysed the economic nationalists views have not done full justice to the depth and breadth of their economic insight and to their attitude towards the drain as part of a comprehensive, inter-related and integrated economic analysis of the Indian situation. Secondly, the chief political implication of the drain theory must be looked. However, contrary to this, Bipan Chandra examines the scientific correctness of the theory of economic drain which has been advocated by the India nationalist economist. The overall impact certainly reveals the diversion of wealth and other resources towards Europe. But it is also true the development of sub-continental networks of railroad tracks, telegraph wires, irrigation infrastructure, and coal mines in South Asia are a part of a historical process that resulted in the creation of the modern Indian state. Here, we will examine the impact on India in terms of above mentioned three sectors.

Improvisation of Peasantry

India was pre-dominantly an agricultural country. Agriculture was one important sector which has major contribution in national income and a sizeable (more than two-third) population dependent on this sector. One significant characteristic of agriculture production was that it was self-consuming purpose rather than production for commercial purpose. Village produced were consumed and exchanged for other requirement at local level. Therefore subsistence nature of agricultural production left out the scope of growth and innovation. This characteristic of village also levelled as self republics by the orient lists and British administrators. In this sector, the people may be involved directly as producer in the rural areas or indirectly through trade of agricultural products and processing industries. The role of agriculture in development of any society

can be observed through following factors- such as growing agricultural products, employment to expanding labour force, contribution to capital formation, enlarged exports, raw material to new industrial expansion. Precisely, this sector has provided two important human needs- food items and raw material. Previous one is the major concern since ancient period while the need of raw material has grown up with the development in manufacturing and production process. Therefore, the amount of agricultural produce and its importance has grown up with new production process. Secondly, the need of agriculture produce was limited to local village community level called subsistence agricultural system which has with the growing size of the market.

Till late 17th century, the principal produce were wheat, rice, maize, millet, tobacco apart from cash crops in the sub-continent had enormous production of food items, high quality cotton. From 18th century, India's per head agricultural output was lower than China and Japan which were insufficient to fulfil our population. The relative low output shows was because of unreliable weather conditions, old farming techniques and attitudinal problems and growing needs. The crops are often destroyed by rodents and insect pests, lack of irrigation and other disastrous effects. Apart from these, land tenure system and its ownership also play critical role to the agricultural production and development. There is no historical evidence that communal property or community ownership ever existed in either Mughal period or post-Mughal India. However, Karl Marx described Asiatic mode of production as the tribal and communal property. The new land tenure system created a group of intermediaries through Zamindari system which has added the burden on Indian peasants- the increasing revenue, reduced supports services of irrigation facilities, no concession during natural calamities.

Therefore, the agricultural policy including water resource management and land holding pattern, food item to industrial raw materials and cash crops has direct concern with the development of the sub-continent. The agricultural produce is higher in Mughal period than colonial rule. This reveals some major implications of agricultural policy-

- 1) First, almost absence of the class of landless labourers, Munro writes "there were no landless peasants in India". The size of landless labourers continuously increases from 8.2 million in 1871 to 49 million in 1951. Gadgil explained the causes of this phenomenon as a destruction of cottage industries and commercialisation of agriculture.
- 2) Second, agriculture production never grew proportionally with the pace of population owing to various reasons- uncertain rain and lack of irrigation facilities, lack of government's agricultural policy, land holding pattern, commercialisation of crops for non-food grains, impoverishment of peasantry.

At the advent of British rule, there is a general consensus that Indian economy was stable or a state of equilibrium existed often called self sufficient village economy. The land was one important resource, agriculture had major share in national income and a sizeable population was dependent of agriculture. However, there were limitations of agricultural output such as lack of irrigation, dependent on monsoon, traditional technique, small land holdings etc. British period also witnessed of drastic changes which has long lasting impact on Indian economy

and development. For development of irrigation, colonial ruler on recommendations on irrigation facilities covered only a minor part i.e. 13 per cent by 1940. Crops in irrigated areas were costlier because of water charges which forced for cash crops. This had dual impact lower food production inequality and famine.

Ruin of Indian Industry and Crafts

Traditionally India is known for subsistence industries and artistic products- arts and crafts, cottage industries and urban artefacts. Broadly, we can categories in following areas and vocations. a) Peasant's arts and crafts- these industries peasants pursued during their spare time and off seasons like hand spinning and weaving, *gur* making, flour grinding, rice pounding, cotton ginning, rope making, mat weaving, basket making, sericulture, tobacco making. b) Subsistence industries- blacksmith, carpenter, weaver, oil presser, potter. c) Village art industries- carpet weaving of Mirzapur and Benaras, Silk weaving, Metal work, Conch shell, bangles, Lungis, Saries, embroidery cloths of specific places. d) Urban arts and crafts- textiles handicrafts, silks, woollen cloths, Metal works, paper making, bangle making.

In the long historical period and diverse culture the above mentioned various industries developed with abundant and different forms of existing raw materials- cotton, jute, wood product, silk, jewellery, coal, iron ores etc. Second half of 19th century witness of plantation (rubber, tea and coffee), this has facilitated by Muslim and British rulers and attracted large number of artisans in urban areas. Basically, the increasing trend of these industries has attracted the European trading company which was in favour India. Till the war of Plassey (1757) this status continued with little aberrations. Thereafter, British company occupied political power and made various economic interventions both at colonial place as well as at home- changed revenues collection system, forced through agricultural policy for cash crop, foreign capital many other changes disrupted self sufficient village economy and created a new class of agricultural labours.

Most of the industrial item was either produced by traditional village artisans as their occupations, while town and urban centres were various *Srenis* (guilds). Each guild was specialised with each craft and it played significant role within the group like, networking, specialised training and overall to protect their common interest.

Foreign Trade

Foreign trade in Indian sub-continent has been traced since ancient period, i.e. Indus civilisation trade relations with Mesopotamia (now Iraq), thereafter, many items has been exchanged South East Asia and further East Africa, even migration to South East Asia evident from various literatures. India had traded textiles products to East Africa, the Persian Gulf, Malaya and Indonesia. Before European conquest (1600 AD) Arabs, Armenians and Jews were running the offshore trade. Over the years, there were some changes in the direction and nature of the trade. Throughout th19th century Great Britain dominated the foreign trade, while 20th century new trade relations has started with US, Japan and Germany. Malviya in his report on Indian Industrial Commission reveals the skill based products of delicate woven fabrics, colours mixing, the working of metals and precious stones work enjoyed a world wide celebrity during modern India. The important items exported from India were Calicos, Bengal silks, Indigo, Lac, cotton yarn, opium,

marbles, precious stones, iron and steel. However, the imports were limited to few luxury items- gold, silver, horses and others. Two fold arguments given for limited imports- one is self sufficient economy, and second is inequality. Once Moreland remarked 'the masses of Indian consumers were too poor to buy imported goods' while the nature of import trade is better understood by former argument i.e the self sufficient Indian. The increasing trends of exports can be observed through exported of Calicos ' ' from 15,000 pieces annually during 1658-64 to 91,000 pieces annually during 1673-78 and 1,10,000 pieces annually in 1700. The high demand of Indian products also imported huge precious metals in exchange which can be analysed with following table.

Table 1: Surplus of Imports of Gold and Silver in British India

Years	Gold	Silver
1835-36	\$ 1,694,590	\$ 8,059,480
1845-46	2,722,380	4,662,450
1855-56	12,531,225	40,971,875
1865-66	28,622,380	93,343,365
1877-78	2,340,645	73,381,675

Source: Adapted from J. Laurence Laughlin (1886) *History of Bimetallism in the States*, pp. 252-3

In late eighteenth century, on the one hand England's increasing productive power by industrial revolution while on the other hand growing political control over India strengthen company's power to revert the direction of the colonial trade. As a result of this policy, the value of goods exported from India had declined from 13 million 1815 to 0.1 million in 1834. Thus, the foreign trade in colonial India and economic drain theory have direct correlations. Burke remarked that whole process of investment of the East India Company is the main cause of impoverishment of India. The exported item was not exchanged equally rather without any return or payment. The investment of the company during 1766-1780 was limited to four heads- drugs, piece goods, silk and saltpetre. Further D.B. Naoroji estimated the exceptional annual drain of capital-flow during the late 1850s and early 1860s, which reduced the excess of Indian exports over imports during that period, and so concealed the real size of the Indian tribute. Foreign trade determines the countries economic position in international market through the measures of exports and imports. Larger exports of raw materials for their factories and imports of finished products exploited the Indian resources and ruin the existing productive process in order support British interest.

The drain of wealth from India to England would have been not possible without the development of supportive infrastructure like, effective transportation and communication, skilled human resources as well as rational legal system to continue colonial administration. Keeping these needs they created railway as new transport system, built new roads and repaired the existing road links, introduced modern bureaucracy system based on rational legal system, established modern educational institutions. All these initiative was very limited to few areas and restricted in order to serve their interest. Railway services has started in 1853 but located from factory to port for goods transportations. Three universities were set up in 1857 in Calcutta, Madras and Bombay, but they were merely examining bodies

and did no teaching. Higher education did little to promote analytic capacity or independent thinking and produced a group of graduates with a half-baked knowledge of English but sufficiently Westernized to be alienated from their own culture. Education for girls was almost totally ignored throughout the nineteenth century. Warren Hastings and later Lord Cornwallis played key role in the foundation of common judiciary system through a hierarchy of civil and criminal courts. Lord Macaulay codified the India laws called Indian Penal Code (IPC) and western derived codes called civil, criminal and other codes. However, the discrimination within the legal process also existed against Indians, only Europeans judges are allowed for important cases.

While in this process of colonial interest, India had some positive impacts- like the transfer of railway technology from Britain to colonial India is required. Besides the massive installation of thousands of kilometers of rail tracks, telegraph wires, irrigation infrastructure, and coal mines in whole south Asia. The construction of railway also required the preparation of rail-beds, the laying of plates, the building of tunnels, the undertaking of heavy-cutting, and the building of bridges wherever necessary. British India imported from Britain necessary manufactured products such as rails, sleepers, prefabricated bridges, and locomotive engines. These developments required strong will power of the administrator particularly in bad economic conditions. Although Indian workshops began to emerge at the end of the nineteenth century, British manufacturers remained the primary suppliers of these industrial goods. 'Between 1850 and 1940, more than 14,000 British locomotives were sold to colonial India compared to slightly more than 700 that were manufactured indigenously. Indian workshops such as those established in Lahore focused on repair and assembly work for the duration of this period'.

1.7 DRAIN THEORY

economic drain has visualised as a portion of the national product of India was not available for capital formation or consumption by its own people rather drained away to Britain for political reasons. This drain was without getting an adequate economic, commercial and material return. Thus it is unilateral transfer of wealth from India to Britain. Further we can see the drain in to two major aspects- internal and external. Former in terms revenue collection, agricultural production, the issue of economic drain theory first highlighted by Alexandor Dow, a military personnel of the East India Company, who spent twenty years in Bengal and wrote an economic conditions of Bengal. According to his estimation, the annual drain from Bengal to Great Britain was about 1,477,500 Pounds including company's revenue and exports from India. Later on Edmund Burke (1783) developed this theory and explained the mechanism of economic drain in Indian situation and increasing poverty. In 1776, Philip Francis analysed the drain economy and divided it into four major streams- first was the East India Company's Investment, secondly remittance to other presidencies, thirdly the transfer of private income, fourthly the transfer of income from private trade or investment. There are many other British intellectuals and their documents providing the evidences for drain theory. Later nineteenth century, Indian intellectual also realised the impact of British rule as exploitative process and transfer of Indian economy towards Britain. Before this period, particularly the elite sections of Indian society had positive perception and assumed British rule as development actor in India.

This perception has changed different British commercial policy and interventions towards destruction cottage industries, agricultural policy and land tenure resettlements. Review of British policy has started by Indian intellectuals and the idea of economic drain has been evolved to show how rigorous the British policy draining India and reducing it to poverty. In this process, many nationalists who advocated the 'economic drain theory' like Dada Bhai Naoroji, M. G. Ranade, G. V. Joshi, Romesh Chandra Dutt, Bholanath Chandra, G. K. Gokhle, Gadgil Bhaskar Tarkhadkar and others. First three have played instrumental role and analysed economic transition in depth, while the issue has raised first by Bhaskar Tarkhadkar (a journalist) along with his Maharastrian group in 1841.

Dada Bhai Naoroji (1825- 1917), Mahadev Govind Ranade (1842-1901), Romesh Chandra Dutt (1848-1909) worked extensively and spread message through speeches, research papers and other publications in favour of their argument. Naoroji attributed the India's abysmal poverty to sustained drain of wealth towards Britain long before Indian National Congress placed its agenda for change. M G Ranade, a well known Indian economist after Kautilya, analyzed trade pattern and consider the export of raw materials and import of manufactured product as major cause of drain and causes of backwardness. R. C. Dutt elaborated mechanism of transfer of wealth in his book- the economic history of India. He writes "If manufactures were crippled, agriculture overtaxed, and a third of the revenue remitted out of the country, any nation on earth would suffer from permanent poverty and recurring famines".

The following are major causes of economic drain during colonial India.

- a) Colonial Rule and their interest
- b) Decline of Indian Export
- c) Introduction of new patterns of products
- d) Competition with machine made goods
- e) Western education
- f) Role of intermediaries
- g) Government's policy

British interests were of several kinds. At first the main purpose was to achieve a monopolistic trading position. Later, it was felt that a regime of free trade would make India a major market for British goods and a source of raw materials, but British capitalists who invested in India, or who sold banking or shipping service there, continued effectively to enjoy monopolistic privileges. India also provided interesting and lucrative employment for a sizeable portion of the British upper middle class, and the remittances they sent home made an appreciable contribution to Britain's balance of payments and capacity to save. Finally, control of India was a key element in the world power structure, in terms of geography, logistics and military manpower. The British were not averse to Indian economic development if it increased their markets but refused to help in areas where they felt there was conflict with their own economic interests or political security. Hence, they refused to give protection to the Indian textile industry until its main competitor became Japan rather than Manchester, and they did almost nothing to further technical education. They introduced some British concepts of property, but did not push them too far when they met vested interests.

As we discussed the company's commercial policy was based on the principle that to purchase Indian goods in exchange for bullion. There was little demand for European consumer goods in India market whereas Indian silk, drugs, spices were high demand in the European market at a much higher price and the East India Company earned a considerable profit from European market. Historian writes that between 1601 AD and 1612 AD cargo worth 200,540 pound were carried in 9 East India voyages of which 69 per cent consisted of bullion. In the first two decades was 292,286 pound of which 65 per cent was in bullion. The danger of a drain of treasure from the West became a nightmare and India became the 'sink of precious metals' (P. J. Thomas 1810: 146-147). In 1772, Lord Clive also mentioned this in his speech at House of Commons that "silver of the West and the gold of the East have for many years been pouring into that country and goods only have been sent out in return."

In this session you read about the drain theory and now answer the questions given in Check Your Progress-2.

Check Your Progress 2

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What are the causes of economic drain in pre-independence India?

.....

.....

.....

.....

.....

2) List three Indian nationalist who advocated the economic drain theory.

.....

.....

.....

.....

.....

1.8 LET US SUM UP

In this unit, thrust has given to provide basic conditions and the historical sketch of pre-independence development to the learner. We have traced the history of development in India since early Vedic period till 1947. However major thrust has given to the Mughal period and British Colonial period which has major role in shaping the Indian economy and has had authority almost whole sub continent. The comparison of these two rulers for development has been also discussed. Both had foreign origin while Mughal dynasty assimilated in this sub continent while Britishers came with modern technology and bureaucracy but used for their colonial interest and drain the economic resources towards Europe.

1.9 KEY WORDS

Srenis (Guild): This is an organisation of artisans or merchants, its structure is a unique and multi-faceted form of organisation. Romila Thapar identified three features of Indian guilds- 1) the localization of occupation was possible, 2) the hereditary character of professions was recognized and 3) the idea of a legitimised guild leader.

Jajmani System: The system of economic exchange of good and services among hereditary occupational community (between *Jajman* and *Kamin*) in absence of currency. This concept of socio-economic interaction was coined by W. H. Wiser.

Zamindari System: The system of land settlement introduced by Lord Cornwallis (1893)

1.10 REFERENCES AND SUGGESTED READINGS

Kumar, Dharma (1983), *The Cambridge Economic History of India*, Cambridge University Press, Cambridge.

Dadabhai Naoroji (1901), *Poverty and Un-British Rule in India*, Publications Division, Ministry of Information and Broadcasting, Government of India ; Commonwealth Publishers, 1988

R C Dutt (1906), *Economic History of India in the Victorian Age*, Routledge & Kegan Paul, London.

Naik, J. V. (2001), “Forerunners of Dadabhai Naoroji’s Drain Theory”, *Economic and Political Weekly*, Vol. 36, No. 46/47 (Nov. 24-30), pp. 4428-4432

Rama Dev Roy (1987), “Some Aspects of the Economic Drain from India during the British Rule”, *Social Scientist*, Vol. 15, No. 3 (March), pp. 39-47

Angus Maddison (1971), *Class Structure and Economic Growth: India and Pakistan since the Mughals*, Rutledge, Great Britain.

Radhakamal Mukherjee (1939), *The Economic History of India*, Longmans Green, London

1.11 CHECK YOUR PROGRESS- POSSIBLE ANSWERS

Check Your Progress-1

1) What do you mean by development?

Answer. This is a planned process to organise human energies and productive resources to respond to opportunities and challenges. The development takes place on a foundation of four levels of infrastructure — physical, social, mental and psychological. The concept has initiated with economic growth further added the other concerns like, distributive justice, human and social aspects and now the issue of sustainability.

2) Briefly describe the development of India during Indus Valley Civilisation.

Answer. The Indus Valley civilisation characterised with initial town planning of the world and major development in transport technology and other urban infrastructure. Two such early cites are Mohenjo-daro and Harappa shows the excellent town planning and architectural evidences. Its economy appears to have depended significantly on trade and commerce, there is also evidence of external trade relations with other river valley civilisations. They also developed their language in pictographs, unfortunately could not unravel till now.

Check Your Progress-2

1) What are the causes of economic drain in pre-independence India?

Answer. The major causes of economic drain during colonial India are- a) colonial rule and their interest, b) decline of Indian export, c) introduction of new patterns of products, d) competition with machine made goods, e) western education, f) role of intermediaries- *zamindari* system, g) government's policy.

2) List three Indian nationalist advocated the economic drain theory.

Answer. Many nationalists advocated the idea of 'economic drain' from India to Britain, in which Dada Bhai Naoroji (1825- 1917), Govind Ranade (1842-1901), Romesh Chandra Dutt (1848-1909), G. V. Joshi, Bholanath Chandra, G. K. Gokhle, Gadgil Bhaskar Tarkhadkar and others. First three worked extensively and spread message through speeches, research papers and other publications in favour of their argument. In 1776, Philip Francis analysed the drain economy and divided it into four major streams- 1) is the East India Company's Investment, 2) remittance to other presidencies, 3) the transfer of private income, and 4) the transfer of income from private trade or investment.

UNIT 2 PLANNING AND DEVELOPMENT INITIATIVES: PRE-LIBERALIZATION PERIOD

Structure

- 2.1 Introduction
- 2.2 Thrust Areas of Economic Planning
- 2.3 Development Initiatives during Different Plans
- 2.4 Development Performance: Aggregate and Sectoral
- 2.5 Let Us Sum Up
- 2.6 References and Suggested Readings
- 2.7 Check Your Progress-Possible Answers

2.1 INTRODUCTION

India inherited a dismal economic condition from the Britisher Ruler and the economic state of affair at the time of Independence was quite sordid. India's developmental pattern during the pre-liberalization period from 1950-1990, the long span of four decade was characterized by strong centralized planning. It is featured by government ownership of basic and key industries, excessive regulation and control of private enterprises, trade protectionism through tariff and non-tariff barriers and a selective approach towards foreign capital. The basic objective of planning during the period was (i) growth; (ii) social justice; (iii) modernization; (iv) self reliance and (v) socio economic development.

After reading this unit you should be able to:

- Discuss the thrust area of economic plans
- Explain development initiating during different plans
- Describe the development performance in different sector.

2.2 THRUST AREAS OF ECONOMIC PLANNING

The Indian Government Resolution of March 1950 envisaged that without developmental planning, the developmental aims and objectives of the nation cannot be achieved. The planning process in the country was triggered off with the launching of First Five Year Plan in 1951. Customarily, economic planning by a set of programmes of development fixed by the planners and implemented for achieving certain chosen objectives. Therefore, economic planning of India is an important instrument of achieving the nation's main aim and objectives.

Some of the thrust areas of economic planning are

- Economic growth
- Poverty Alleviation
- Employment Generation
- Self reliance

- Equality and social justice
- Regional Balance

Poverty Alleviation

Alleviation of poverty was a great challenge before the nation after Independence. High population growth after Independence enhanced the labour force in the economy and so also the consumer population in terms of children and aged population. The alleviation of poverty and hunger was the topmost priority before the planners. The first Five Year Plan emphasized in agriculture to enhance food grain productivity and also employment opportunity in the primary sector. The Fifth Five Year Plan especially laid emphasis on poverty alleviation or “*Garibi Hatao*”. Government of India had initiated several poverty eradication programmes in the form of land reform, self-employment programme, wage employment programmes, rural housing, social security schemes, etc for the eradication of rural poverty. Some of the important programmes are IRDP, JRY, SGRY, SGSY, EGS, NREGS, IAY, etc. All these programmes are discussed in detail in unit. One of the plan documents had rightly emphasised “dispread poverty is a challenge which no society in modern times can afford to ignore for long. It must be eradicated both on humanitarian grounds and as an essential condition for orderly progress”.

Economic growth

One of the prime objectives of economic planning is to accelerate the growth rate. In order to promote growth rate emphasis was laid on development of agriculture, industry, small scale and cottage industry and infrastructure development during different Plan period. Each plan takes into account the experience of the previous plan and attempts to make the necessary directional changes and emphasis for achieving high growth rate. The First Five Year Plan had envisaged a target of 11 percent increase in national income, the second plan a target of 25 percent increase in national income. Like this, the planner set the economic growth target and initiated development programmes in various sectors to achieve the targeted growth rate. The economic growth during the pre-liberalization period aimed at reduction of poverty. The growth rate during the pre-liberalization period particularly during 1950-1980 was normal. However, during 1980-90s some economic reforms were initiated to push economic growth. Those (a) Encouraging capital imports and commodity exports; (b) a modest degree of industrial de-regulation; and (c) a modest degree of tax system rationalization.

Equality and social justice

During the dawn of Independence, a vast inequality was observed between haves and not haves. In order to secure equality and justice to the population, planners announced socialistic pattern of society in the Second Five Year Plan. The strategies adopted to raise the standard of living of the people who were living below the poverty line, narrowing the gap between the haves and have nots, and ensuring that the benefit of growth is tickled down to benefit the poor. The Third Five Year Plan stated that “Economic activity must be so organized that the tests of production and growth and those of equitable distribution are equally met. A high rate of economic growth sustained over a long period is the essential condition for achieving a rising level of living for all citizens and specially for those in

low income groups or lacking the opportunity to work. A socialist economy must be efficient, progressive in its approach to science and technology and capable of growing steadily to a level at which the well being of the mass population can be secured”.

Self-reliance

Indian Planning for the first two plan period relied more on external aid and from the Third Five Year Plan onwards the emphasis was given on attainment of self-reliance. The endeavour was made to make investment out of domestic savings. The initiation of Green Revolution and establishment of basic industries like iron, steel, machine tools, heavy engineering, chemical and allied industries, and other textile industries are a few developmental initiatives taken in the direction of achieving self reliance. However, the motto of self reliance still remains unrealized. The Forth Five Year Plan laid greater emphasis on self-reliance. The seventh five year plan (1985-90) emphasised policies and programmes which aimed at rapid growth in food grains production, increase in employment opportunities and productivity within the framework of basic tents of planning, namely growth, modernization, self-reliance and social justice.

Employment Generation

Generation of employment is an important objective of Indian Planning and all the developmental initiative aimed at generating employment opportunities in different sectors of the economy. Though employment opportunities have increased over the years, growth of population and labour force has aggravated unemployment problems year after year. The provision of whole time employment appears either as a primary objective of planning or a necessary by product of planning of whatever kind primarily undertaken for other reasons. Full employment is inherent in the nature of planned economy. The fourth five plan laid emphasis on productive employment on a sufficiently high level of efficiency. The plan document gave stress on labour intensive programme through development of agriculture. Rural infrastructure including communication and transport links. The planning commission also suggested to the Central Ministries and the State Governments and Union Territories to take effective steps to remove any restrictive policies which inhibit the faster growth of employment. Special schemes were formulated by Gujarat and Maharashtra Government to provide increasing employment avenues in the rural employment guarantee scheme aims at providing unskilled manual work to all able bodied persons looking for employment is one of such example.

Regional Balance

Uneven Development during British Regime had led to unbalanced development. Some regions are found more advanced compared to the other region. On account of these regional disparities, the planners have accepted the urgency of balanced regional development ever since the advent of the planning process on India. The second Five Year Plan has clearly envisaged that “in any comprehensive plan of development it is axiomatic that the special needs of the less developed areas should receive due attention. The pattern of development should be so devised as to lead to balanced regional development”. Again the Third Five Year Plan devoted a separate chapter to this problem and emphasized that “balanced development of different parts of the country, extension of all benefits of economic progress of the less developed regions and wide spread diffusions

of industry are among the major aims of planned development”. Thus, it is clear that one of the avowed objectives of Indian planning during pre-liberalization period is the balanced regional development.

In this session you read about different objectives of India Plan and now answer the questions given in the Check Your Progress-1.

Check Your Progress 1

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) Narrate two key thrust areas of Indian planning.

.....

.....

.....

.....

.....

2) Why do we need balanced regional development ?

.....

.....

.....

.....

.....

2.3 DEVELOPMENT INITIATIVES DURING DIFFERENT PLANS

During pre-liberalization period from 1951 to 1991, India had formulated seven Five Year Plans. The thrust areas and development initiative undertaken during First Five Year Plan to Seventh Five Year Plan are discussed.

First Five Year Plan (1951-1956)

At the time of launching First Five Year Plan, the country was facing formidable challenge of food security. Obviously, the plan gave topmost priority to agriculture and community development. Some of the development initiatives undertaken during the First Five Year Plan period are as follows:-

- i) land reforms measures
- ii) setting up agriculture extension services
- iii) revitalization of cooperative movement
- iv) provision of irrigation and facilities
- v) establishment of a number of specialized institutions for providing credit to agriculture, small scale industries and backward sections of the population.

Second Five Year Plan (1956-1961)

The Second Five Year Plan laid emphasis on the development of heavy and basic industries to lay the foundations for future industrialization of Indian economy.

Some of the emphasis and development initiative of Second Five Year Plan are :

- i) Emphasis was laid on development of iron and steel, chemicals, fertilizers, heavy engineering and machine building industries.
- ii) Plan defined more clearly the key role that the public sector was to play in the economic development of the country.
- iii) Acceleration of the rate of growth of the economy.
- iv) Establishment of socialistic pattern of society.
- v) Increase the capacity for producing cement, caustic soda ash, sugar etc.
- vi) Expansion of steel in private sector.

It is appropriate to say that the Second Five Year Plan laid the foundation stone for a highly developed, self-reliant industrial economy. The completion of Second Five Year Plan also led to the completion of a decade of India's planned development. The decade laid the foundation stone of the basic objectives and long term economic goals of the Indian economy.

Third Five Year Plan (1961-1966)

The Third Five Year Plan was constructed basing on the experiences gathered during First and Second Five Year Plans. The greatest stress in the Plan was given on the implementation and creating conditions for the maximum production and employment and the development of human resources. Some of the initiatives and thrust areas during the Third Five Year Plan are as follows:-

- i) Shifting of emphasis from industry to agriculture as there was slow growth rate in agricultural production forcing the nation to import 25 Million Tonnes of food grains from outside?
- ii) Emphasis was on establishment of number of basic industries such as sugar, paper, cement, textile etc.
- iii) Development of cottage and small industries in the areas like handicraft, coir, handlooms and silk product etc.

Thus, Third Five Year Plan was grounded on the mixed emphasis both on agriculture and industry and particularly on small scale and cottage industries.

Annual Plans (1966-1969)

The planning process was disrupted during 1966 to 1969 because of certain unavoidable circumstances such as hostilities with Pakistan, drought condition, devaluation of rupee and inflationary pressure. Therefore, instead of the Fourth Five Year Plan, three annual plans such as 1966-67, 1967-68 and 1968-69 were prepared. This is otherwise known as 'Plan Holiday' which essentially means that no long term financial commitment can be made by the Government for more than one year. The Annual Plans gave top priority to agriculture and family planning programmes which revolutionized farm sector giving birth to 'Green Revolution'

in Northern India. The main lessons learned during this plan holidays was that not the only growth, but the stability with the maximum rate of growth consistent with its maintenance considered as the main strategy for the next five year plan period.

Fourth Five Year Plan (1969-1974)

The Fourth Five Year Plan was formulated under the Chairmanship of Indira Gandhi. The two main objectives of the Fourth Five Year Plan are (i) growth with stability and (ii) progressive achievement of self reliance.

The Plan recommended for regional and local planning to vary the large number of small and weaker producers and increase immediate and future employment potential. The Plan identified the role of Panchayati Raj Institutions in local planning. Fourth Five Year Plan also laid emphasis on industries manufacturing inputs for agriculture such as fertilizers, pesticides, farm equipment etc. The development of small scale and cottage industries continued to be the main area of industrial development with a motto to achieve self reliance. It also suggested reorganization of the management of public enterprises to achieve the twin aims of a strong well knit public sector.

Fifth Five Year Plan (1974-79)

The Fifth Five Year Plan laid emphasis on “Growth with Social Justice”. It also coined a new slogan called “*Garibi Hatao*” or “remove poverty”. But the change of the government in Centre in 1977 lead to change in the strategy called Growth for Social Justice”. A new pattern of planning was introduced called “Rolling Plan” which emphasised that every year the performance of the plan would be assessed and necessary correction be made in the subsequent year. In other words, it led to continuous planning. The plan in order to achieve the growth with social justice laid stress on rapid growth of the core sector by expanding production of essential consumer goods and by restricting the production of luxurious goods. As a result of production in the consumer goods industry recorded a high growth rate of 14.3 percent.

Sixth Five Year Plan (1980-85)

The Sixth Five Year Plan places a very high priority on alleviation of poverty. In the Sixth Five Year Plan substantial allocation was made for reducing regional disparities. Moreover, substantial investment was made for the development of the North Eastern region. The programme such as National Rural Employment Programme and Minimum Needs Programme were launched and strengthened to have direct attack on poverty. One of the important objectives of the Sixth Five Year Plan was to raise at least 3000 poorest households above the poverty line in each block during the plan period.

Seventh Five Year Plan

The Seventh Five Year Plan had an ambitious objective of growth, modernization, self reliance and social justice along with the strategy of generation of productive employment. The plan document had accorded highest priority to food, work and productivity. For this, the natural emphasis placed on programmes for agriculture and community development. A key feature of the strategy was the extension of the Green Revolution to the eastern region and to dry land areas to reduce regional imbalances in agricultural development.

The Seventh Five Year Plan laid emphasis on the acceleration of the industrial growth rate in the country. For this, the Seventh Five Year Plan gave boost to the liberalization measures. A few of them are as under

- i) Raising the assets limit for exemption to companies from the purview of MRTP Act.
- ii) Exempting 83 industries under the MRTP Act for entry to dominant industries.
- iii) Grant of exemption from licensing for industrial limits with an investment up to Rs.50 Crores in backward areas and Rs.15 Corers in other areas on the bank of a negative list.
- iv) De-licensing non MRTP non-FERA companies for 31 industries groups and MRTP/FERA companies in backward areas for 72 industry groups.

Thus both agriculture and industry was given top priority in the Seventh Five Year Plan with a few to generate more and more employment and enhanced productivity in both the sectors.

In this session your read about the development initiatives taken during different five year plans and now answer the questions given in Check Your Progress-2.

Check Your Progress 2

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

- 1) What are the thrust areas of First Five Year Plan

.....

.....

.....

.....

- 2) Why there was a need for annual plan ?

.....

.....

.....

.....

.....

2.4 DEVELOPMENT PERFORMANCE: AGGREGATE AND SECTORAL

The Government of India triggered off the planning process in 1950 and the First Five Year Plan covering the period 1951-1956 was launched. The planned development initiative emphasized, not only on the balanced regional development, but also on the balanced development of all developmental sectors, although, the emphasis varied from Plan to Plan. In this section you will read about the planning

and development initiative undertaken in India during the Pre-Liberalization period from 1950-1990. The main sectors of development are

- Agriculture
- Industry
- Social and Human Development
- Infrastructure Development

2.4.1 Agriculture

Agriculture is the most important sector of Indian economy. It plays a key role in providing food security, generating employment, alleviation of poverty and also contributing to export. 65 percent of the manpower is still engaged in agriculture and still contribute one third to country's GDP. Therefore late Prime Minister Jawaharlal Nehru said "everything may wait but agriculture can not." Agriculture is primary to economic development. However, before independence 1947, the agriculture was traditional and stagnant characterized by feudal land relations, primitive technology, poor capital formation and low productivity. The First Five Year Plan gave a pride of place to agriculture development. During the First Five Year Plan period following initiative were taken for the development of agriculture (i) extending irrigation facilities; (ii) increase the supply of agricultural inputs like fertilizers, insecticides, improved seeds etc., (iii) introduction of land reforms, community development and extension programmes. Although, in the Second Five Year Plan focus was shifted from agriculture to industry, yes, increase in production of food and raw materials have been remaining in the mainstream of development initiative in subsequent Five Year Plans. The Second Five Year Plan laid emphasis on greater diversification of agriculture by growing fruits, vegetables and allied food crops and by stepping up the production of cash crops. Large investments were made for the development of research system under the aegis of Indian Council of Agricultural Research (ICAR) and the State Agricultural Universities. With these interventions the agricultural productivity has increased which has been depicted by Table-1. The food grains production increased from 54 million tonnes to 75 million tonnes during a decade from 1950-51 to 1960-61 that is by 40%.

Table 1: Agricultural Productivity 1950-51 to 1960-61

Items	Unit	1950-51	1951-56	1956-61	1961-66	1966-69	1969-74	1974-79	1980-85	1985-90
Rice	Tonnes	20.6	25.0	30.3	35.1	35.9	41.8	47.3	54.5	65.1
Wheat	Tonnes	6.4	7.9	9.7	11.1	15.5	25.4	29.8	41.2	48.3
Jowar	Tonnes	5.5	7.5	8.7	8.8	9.7	8.6	10.8	11.3	10.9
Bajra	Tonnes	2.6	3.4	3.4	3.9	4.5	6.0	5.0	6.0	5.2
Maize	Tonnes	1.7	2.7	3.6	4.6	5.6	6.1	6.3	7.3	7.6
Other cereals	Tonnes	6.1	6.6	6.5	6.3	6.2	6.4	7.1	6.0	5.4
Pulses	Tonnes	8.4	10.1	11.7	11.1	10.3	10.9	11.7	11.8	12.5
Total food grains	Tonnes	50.8	63.2	74.0	81	87.8	103.0	118.1	138.1	155.0
Oilseeds	Tonnes	6.2	5.5	6.7	7.3	7.2	8.3	8.9	11.4	13.9

Sugar cane	Tonnes	57.1	55.3	80.3	109.2	104.3	128.1	153.3	174.9	196.4
Cotton	Bales	3	3.9	4.8	5.4	5.5	5.9	6.8	7.5	8.4
Jute	Bales	3.3	3.9	4.4	5.7	4.9	5.5	5.2	6.4	8.9

Source: *Indian Economy Today Changing Contours*, B N P Singh Deep & Deep Publication Pvt. Ltd, p.73

Table II Use of Agricultural Inputs, 1950-51 to 1960-61

Inputs	Unit	1950-51	1960-61	1964-65	1965-66
Fertilizers	000 tonnes N	56	210	555	600
Electricity	Million Kwh	203	832	1400	1730
Irrigation tube wells	Numbers	3500	17700	28900	32400
Fuel oil	Values in Rs crores	4.5	14.6	25.1	27.7

Source: *Fourth Five Year Plan, A Draft Outline, Government of India, p.9*

In the mid-1960s the Green Revolution programme was started in order to boost the agricultural productivity in the country. The HYV (High Yielding Programme) initiated through the Green Revolution was initially launched in selected districts of the country for example Ludhiana in Punjab, Aligarh in Uttar Pradesh and West Godavari in Andhra Pradesh. Later on, it was extended to many more districts in the country. As a result the food grain production which was hovered around 50-60 million tonnes per year since 1950-51 started increasing at a faster rate. By the mid-1980s it had touched the level of 170 million tonnes. The main achievement is in the areas of wheat production.

The Fourth Five Year Plan offered priority to the provision of material inputs and other supporting services for augmenting agricultural productivity. It emphasized on enhanced production of fertilizers, pesticides tractors, agricultural implements and tube-wells and pumps for irrigation purposes. Besides, it also emphasises on the agricultural education and research. The Seventh Five Year Planning (1985-90) aimed at a substantial increase in agricultural productivity with a targeted growth rate of 4 percent per annum. The plan initiated following steps for agricultural development.

- Modernization of irrigation systems and improved water management; and
- Acceleration and resilience of growth in raifed dry land agriculture and in crops like paddy, oilseeds and pulses.

The special food-grain production programme (SFPP) was launched for raising productivity in low yield areas. The earlier Integrated Programme for Rice Development (IPRD) launched during Sixth Five Year Plan merged with the SFPP. This scheme covered other principal crops such as Maize, Jawar, Bajra and Ragi along with rice. These programmes laid emphasis on spread of improved technology, efficient delivery of inputs such as seeds, fertilizers, pesticides and improved agricultural equipments. Lauding the achievement of Indian agriculture the Economic Survey 2000-01 observed that “technology led development in agriculture has made India self-sufficient in food grains and a leading producer of several agricultural commodities in the world. The green revolution in crops, yellow revolution in oilseeds, white revolution in milk production, blue revolution

in fish production and golden revolution in horticulture bear ample testimony to the contribution of agricultural research and development efforts undertaken in the country.”

2.4.2 Industry

It is realized that development of agriculture is not sufficient to ensure a sustainable higher standard of living to the people. Therefore the industrialization is a strategic move to supplement the agriculture. Industrialization subject to an absolute and relative growth in the importance of factories, mills mines, power plants and railways and so on of manufacturing and closely related activities especially activities involved in the building and operation of a modern economic infrastructure.

Industry occupies a pivotal place in the post-independence economic development of India. In the constitution of independent India the subject ‘industries’ appears as entry number 24 in List II (State list) of the Seventh Schedule of the constitution of India. Besides, the three Acts formulated during the pre-liberalization period provided boost to industrialization in India. The industrial (Development and Regulation) Act 1951 is a step towards systematic industrialization in the country. The two important objectives of the Act are: (i) to endure the establishment of new industrial capacities according to national priorities; and (ii) to regulate generally the location of industrial enterprises so as to secure balance regional development. Further the industrial licensing system, owing its legal authority to the Act, is the main instrument to direct investments into desired channels of industrial activity. Secondly, another Act called Monopolies and Restrictive Trade Practices (MRTP) Act. 1969 is enacted for regulating the industrial activities in India. Besides, the Foreign Exchange Regulation Act (FERA) was enacted by the Government of India in 1973 to deal with the foreign exchange law violators.

The Government of India formulated various industrial policies and passed resolutions to deal with the various industrial development issues such as

- i) Foreign participation in industrial initiatives.
- ii) Determination of role of public and private sector in industrial development.
- iii) Consumer goods vis-à-vis capital goods industries.
- iv) Large vis-à-vis small scale industries
- v) Location of industries: economic versus social criteria
- vi) Entrepreneurships issues
- vii) Licensing policy.
- viii) Regional balance in industrial development.

Some of the policy initiative taken during post independence and pre-liberalization period are:

- i) Industrial Policy Resolution 1948
- ii) Industrial Policy Resolution 1956
- iii) Industrial Policy Statements 1973, 1977 and 1980
- iv) New Economic Policy and Industrial Liberalization, 1985

The Second Five Year Plan laid adequate stress on industry sector. A number of industries like Cement, Sugar, Diesel, Engines, Machine Tools, Iron, Steel, Aluminium, Automobiles, Paper and Paper Boards, Sulphuric Acid registered with a significant rise in production level during 1959 and 1960. However, during the plan period the performance of small and cottage industries was poor. Although the Third Five Year Plan placed emphasis on agriculture, yet the private sector enterprises a recorded and remarkable increase in the field of aluminium, tractors, machine tools, ball and roller bearings, steel castings and forgings, cement and a number of other items. In the public sector, the small and cottage industries such as leather products, machine tools hard tools, khadi etc., got a boost in their production. The Fourth Five Year Plan gave priority to the industries manufacturing industrial inputs for agriculture such as fertilizers, pesticides, farm equipments etc. The plan document envisaged that the development of village and small industries will continue to be undertaken as an integral part of the industrial development of the country with a view to achieve the goal of self reliance., The Fifth Five Year Plan emphasised that the programmes of industrial development is planned and implemented in such a way so as to realize the turn objectives of self reliance and social justice by accelerating rapid growth of the core sector by expanding the production of essential consumer goods and by restricting the production of luxurious goods. During the Sixth Five Year Plan also the industrial growth rate was unstable and one of the major problems for the basic industries during the Plan period was shortage of power. The liberalization measures undertaken during the Seventh Five Year Plan promoted industrial development. Besides, the significant growth in industrial production during the Seventh Plan period attributed to a number of other factors, the most important among them is the performance of the infrastructure viz. Power, coal etc.

2.4.3 SOCIAL AND HUMAN DEVELOPMENT

The two key sectors of social development are education and health. Both these sectors play an important role in the human resources development of human resources is both a means and an end to development. It is well said that education and improved health case are desirable in themselves. TW Schultz one of the eminent economists said that investment in human resource development is more important to bring about the accelerated economic growth with social justice than mere investing in physical capital.

The First Five Year Plan intended that the educational planner has to strike a balance between primary education secondary and higher education, general and vocational studies, humanities sciences and technologies and between institutional training and in service training. The Education Policy drafted in 1968 emphasized on following aspects (a) relating educational system more closely to the life of the people (b) a continuous effort to expand educational opportunities (c) a sustained effort to raise the quality of education at all stages (d) an emphasis on the development of science and technology and cultivation of moral and social values.

The post independence period saw the massive quantitative expansion of educational institutions at all levels with the support of the government.

Table I: School and College Education During Post Independence and Pre-Liberalization Period

Institutions	1950-51	1960-61	1970-71	1980-81	1990-91
Primary	210.10	290.40	385.80	494.50	560.90
Middle	35.40	65.90	90.60	118.60	151.50
Higher Secondary	16.20	24.70	37.10	51.60	79.80
Higher Education (College)	426	1438	2285	3421	4862
Professional College	74	645	992	1317	886*
Universities	27	49	82	110	184*

- Medical, Engineering and Teacher Training Colleges only.
- Including deemed Universities and Institutions of national importance

Table-II Expenditure on Education during Post-Independence and Post-Liberalization Period

Five Year Plan	Elementary	Secondary	Higher	Total Expenditure in Lakh
1st	85 (5600)	20 (13)	14 (9)	15,300
2nd	95 (35)	51 (19)	48 (10)	27,300
3rd	201 (34)	103 (18)	87 (15)	58,900
4th	239 (30)	140 (18)	195 (25)	78,600
5th	317 (35)	156 (17)	205 (22)	91,200
6th	803 (30)	736 (25)	530 (18)	204,300
7th	2849 (34)	1829 (22)	1201 (14)	850,000

Note: Figures in paranthesis indicate percentage of total allocation

Source: Tenth Five Year Plan, 2002-07, Vol.II, Planning Commission, New Delhi

Table III: Literacy Rate during Post Independence and Pre-Liberalization Period

Year	Persons	Male	Female	Male-Female Gap in Literacy Rate
1951	18.33	27.16	8.66	18.30
1961	28.30	40.40	15.35	25.05
1971	34.45	45.96	21.97	23.98
1981	43.57	56.38	29.76	26.62
1991	52.21	64.31	39.29	24.84

Source: Tenth Five Year Plan, 2002-07, Vol.II, Planning Commission, New Delhi

The physical expansion of educational institutes as well as enhanced expenditure on education enabled the nation to raise its literacy from a meagre 18.33 per cent in 1951 to 52.21 per cent in 1991. Accordingly there was also rise in percentage of education in the secondary and higher education also. However, the progress as croupade to the investment was not satisfactory. Except a few southern states the literacy rate was poor in eastern part of the country. Besides, the literacy rate among the Scheduled Castes, Scheduled Tribes and even girl child across the community was not encouraging. The National Policy on Education (NPE), 1986 and its programme of Action (POD) as reviewed in 1992, therefore envisaged improvement and expansion of education in all sectors, elimination of disparities in access, a stress on improvement in quality and relevance of education at all levels, along with technical and professional educations.

Like education health is one of the major components of major development. Good health is a necessary condition for economic development. Improved health contributes to higher economic growth by reducing predication losses because of morbidity. So there is a significant relationship between health and development. The Alma Ata Declaration in 1977 upholds that primary health care is the key to attain Health for All. India being a signatory to the Declaration also adopted primary health care as the main instrument for achieving the goal of Health for All. The government of India took initiative for enhancement of health care infrastructure in the country which has resulted in establishment of health sub-centers, primary health centres, community health centres and district hospitals.

Table IV Trend of health Care Institutions

Categories	1951	1981	2000
SC/PHC/CHC	725	57363	163181
Dispensaries and Hospitals	9209	23555	43322
Nursing Personnel	18054	143887	737000
Doctors (Modern)	61800	268700	503000

Source: Government of India, Economic Survey, 2002-03, P.230

The figure given in Table IV shows that the number of primary health care delivery institutions in creased significantly from a meager 725 to 57363 and similarly also the number of medical and paramedical professional. This has resulted in the reduction of birth and death rates.

Table V: Trends in Health Indicates (1951-1991)

Categories	1951	1981	1991
Crude Birth Rate (CBR)	40.8	33.9	29.5
Crude Death Rate	25.1	12.5	9.8
Total Fertility Rate	6.0	4.5	3.6
Infant Mentality Rate	146	110	80
Child(0-4) Mentality Rate	57.3	41.2	26.5
Life Expectancy Rate(%)			
Male	37.2	54.1	59.7
Female	36.2	54.7	60.9

Source: Government of India, Economic Survey, 2002-03, P.230

The CBR has reduced from 40.8 at 1951 to 29.5 in 1991. The death rate has gone down from 25.1 during 1951 to 9.8 during 1991. Similarly, the life expectancy for both male and female has gone up from 37.2 and 36.2 in 1951 to 59.7 and 60.9 respectively in 1991. Since independence, the government has taken a large number of measures to control the communicable diseases like small pox, malaria, tuberculosis, leprosy, filarial, blindness etc. increased access to the quality health care services has been one of the thrust areas of the social development programmes being undertaken in the country.

2.4.4 Infra Structure Development

Existence of adequate, and constitutes the care of development strategies and efforts. Customarily, infrastructure is defined as the physical frameworks of facilities through which goods and services are provided to the public relationship to the development are multiple and complex, because it directly influences production and consumption in a country. The most important infrastructure are: (i) electric power (ii) transport; and (iii) communication.

Electric Power

Power is the prime movers of economic development. The Government of India, since Independence has assigned utmost priority to power generation in the country. Up to independence 1947 the supply of electricity was mainly confined to the urban areas generally for lighting purpose. The government assigned emphasis on the generation of electricity through various sources such as coal, oil, gas and hydroelectric. However, during the pre-liberalization period coal-based thermal power plants were the main source. However the adequate generation of power has helped in the industrial and agricultural development of the country.

Transport

Transport system holds crucial to development process. Generally it refers to various means which carry men and material from one place to another. The four important means of transport are (a) road; (b) railways; (c) civil aviation and ports. The government of India has laid emphasis on road transport by constructive National Highways. Second to road transport is railways. The Indian railways have played an integrating role in the socio-economic development of the country. In 1901 the British constituted the Railways Board. After independence in 1951, the government formed six zones. In 1985 the steam locomotives were phased out and the computerization of railway reservation started in 1987. These initiatives triggered up not only modernization of railways but also enhanced the contribution of railways to development process in the country. The third transport system is civil aviation which provides three categories of services viz. operational, infrastructure and regulatory cum developmental. The history of civil aviation in India shows that the first commercial flights started in 1911. After independence the government of India set up Air India International in 1948 and the first route journey was Bombay-London air route. The Nationalization of Indian Airline was done in 1953. This sector has substantial contribution towards the development of country's trade and tourism.

Communication

During the pre-liberalization period, the two important communication systems was (i) postal communication and (ii) telecommunication. The postal system was established by Lord Clive in 1766. At the time of independence there were

23344 post offices throughout the country. Of these 19184 post offices were in the rural areas and 4160 in the urban areas. Today India has the largest postal network in the world with more than 1.55 lakhs of post offices. The Indian postal system currently provides 38 services could be categorized as:

Communication: letters, postcards, newspapers

Transportation: parcels, money orders, etc.

Other services: postal life insurance.

Besides, postal communication, the telecommunication network in the longest in Asia and 12th largest in the world. The telecommunication infrastructure was established in India in 1856. During the time of independence India had 321 telephone exchanges with a capacity of 100000 lines and 86000 working completion. This grew significantly by the year 1991. The liberalization period is considered as period of information revolution. The India launched its first telecommunication satellite in 1962. The advent of computer in to the communication system was utterly limited. In 1947 first microware was setup and in 1952 the first data base was implemented on RCA'S Bizmac computer. In 1985 department of telecommunication (DOT) was established. In 1986 DOT was concerted into two wholly government owned companies: the Videsh Sanchar Nigam Limited (VSNL) for international telecommunications as been playing an important role in the development as commutation is a vital component of development process.

In this session you studied about performance of various sectors during pre-liberalization period and now answer the questions given in the Check Your Progress-3.

Check Your Progress 3

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

- 1) What are the initiatives taken in the agriculture sector during the pre-liberalization period.

.....

.....

.....

.....

.....

- 2) What are the social sector development initiatives taken during the pre-liberalization period ?

.....

.....

.....

.....

2.5 LET US SUM UP

In this unit has extensively discussed two aspects that are thrust areas of economic planning and the development initiatives undertaken by the government during different plans period particularly pre-liberalization period which covers First Five Year Plan to Seventh Five Year Plan. The various sectors covered in this unit are agriculture, industry, social sector development and infrastructure development.

2.6 REFERENCES AND SUGGESTED READINGS

Mishra, S. K and Puri, V.K (1986), *Development and Planning Theory and Practice*, Himalayan Publishing House, New Delhi.

Singh, B. N. P (2004), *Indian Economy Today Changing Contours*, Deep& Deep Publication Pvt. Ltd, New Delhi.

Jain, P. C (1965), *Economic Problems of India*, Chaitanya Publishing House, Allahabad.

First to Seventh Five Year Plans, Government of India, Planning Commission.

Prasad, C.S and et.al (2007), *Sixty Year of Indian Economy 1947-2007*, New Century publications , New Delhi.

Government of India, *Economic Survey*, 2006-07.

Sury, M.M (2004), *Indian Economy in the 21st Century Prospects and Challenges*, New Century publications , New Delhi.

2.7 CHECK YOUR PROGRESS - POSSIBLE ANSWER

Check your Progress 1

- 1) Narrate two key thrust areas of Indian planning.

The two important thrust areas of plan were alleviation of poverty and promotion of growth rate. Alleviation of poverty was a great challenge before the nation after Independence. The first Five Year Plan emphasized in agriculture to enhance food grain productivity and also employment opportunity in the primary sector. The Fifth Five Year Plan especially laid emphasized on poverty alleviation or “*Garibi Hatao*”. One of the prime objectives of economic planning is to accelerate the growth rate. In order to promote growth rate emphasis was laid on development of agriculture, industry, small scale and cottage industry and infrastructure development during different Plan period.

- 2) Why do we need balanced regional development?

Uneven Development during British Regime had led to unbalanced development. Some regions are found more advanced compared to the other region. On account of these regional disparities, the planners have accepted the urgency of balanced regional development ever since the advent of the planning process on India.

Check your Progress 2

1) What are the thrust areas of First Five Year Plan?

At the time of launching First Five Year Plan, the country was facing formidable challenge of food security. Obviously, the plan gave topmost priority to agriculture and community development. Some of the development initiatives undertaken during the First Five Year Plan period are as follows:-

- land reforms measures
- setting up agriculture extension services
- revitalization of cooperative movement
- provision of irrigation and facilities

2) Why there was a need for annual plan?

The planning process was disrupted during 1966 to 1969 because of certain unavoidable circumstances such as hostilities with Pakistan, drought condition, devaluation of rupee and inflationary pressure. Therefore, instead of the Fourth Five Year Plan, three annual plans such as 1966-67, 1967-68 and 1968-69 were prepared. This is otherwise known as 'Plan Holiday' which essentially means that no long term financial commitment can be made by the Government for more than one year.

Check Your Progress 3

1) What are the initiatives taken in the agriculture sector during the pre-liberalization period.

The First Five Year Plan gave a pride of place to agriculture development. During the First Five Year Plan period following initiative were taken for the development of agriculture (i) extending irrigation facilities; (ii) increase the supply of agricultural inputs like fertilizers, insecticides, improved seeds etc., (iii) introduction of land reforms, community development and extension programmes. In the mid-1960s the Green Revolution programme was started in order to boost the agricultural productivity in the country. As a result the food grain production which was hovered around 50-60 million tonnes per year since 1950-51 started increasing at a faster rate. By the mid-1980s it had touched the level of 170 million tonnes.

2) What are the social sector development initiatives taken during the pre-liberalization period ?

The two key sectors of social development are education and health. The First Five Year Plan intended that the educational planner has to strike a balance between primary education secondary and higher education, general and vocational studies, humanities sciences and technologies and between institutional training and in service training. As far as health is concerned, the government of India took initiative for enhancement of health care infrastructure in the country which has resulted in establishment of health sub-centers, primary health centres, community health centres and district hospitals.

UNIT 3 PLANNING AND DEVELOPMENT INITIATIVES: POST-LIBERALIZATION PERIOD

Structure

- 3.1 Introduction
- 3.2 The Reforms Taken Up During 1991
- 3.3 Various Plans in the Post Reform Period
- 3.4 Development of Various Sectors in the Post Reform Period
- 3.5 Let Us Sum Up
- 3.6 References and Suggested Readings
- 3.7 Check Your Progress – Possible Answers

3.1 INTRODUCTION

The functioning of the Indian economy during the 1980s was marked by growing macroeconomic imbalances in the form of high fiscal deficit, high levels of current account deficit and increasing levels of external debt, besides a repressive and weakening financial system. Large fiscal and monetary deficit resulted in pressures on money supply which led to inflation. Price rise reached exceptionally high levels in 1991. Thereafter, government took a series of measures to contain price rise. The economic reforms initiated in early 1990s aimed at reorientation of the economy from a control economy to market oriented one. This was done by introducing greater competition in the economy through progressive internal deregulation accompanied by external competition promoted by foreign direct investment and trade liberalization. In this unit, you will read about the various planning and development initiatives of the government and their implications in the post liberalization period.

After reading this unit, you will be able to:

- Explain the various economic reforms taken up during 1990s
- Discuss the various objectives of the five year plans in the post reform period
- Detail the performance of various five year plans in the post reform period
- Discuss the development of different sectors in the post reform period

3.2 THE REFORMS TAKEN UP DURING 1991

1989-91 was a period of political instability in India and hence no five year plan was implemented. Between 1990 and 1992, there were only Annual Plans. In 1991, India faced a crisis in Foreign Exchange (Forex) reserves, left with reserves of only about \$1 billion (US). Thus, under pressure, the country took the risk of reforming the socialist economy. P.V. Narasimha Rao) was the twelfth Prime Minister of the Republic of India and head of Congress Party, and led one of the most important administrations in India's modern history overseeing a major economic transformation and several incidents affecting national security. At that

time Dr. Manmohan Singh (currently, Prime Minister of India) launched India's free market reforms that brought the nearly bankrupt nation back from the edge. It was the beginning of privatisation and liberalisation in India.

Economic reforms launched since June 1991 may be categorized under two broad areas:

- major macro-economic management reforms; and
- structural and sector-specific economic reforms

Naturally, the attention of the new government that took office in June 1991 was primarily focused on crisis management dealing with the balance of payments. It was of the utmost importance to restore India's international credibility by meeting its scheduled external debt liabilities and through maintaining a more realistic exchange rate consistent with market obligations. Achieving macro-economic stabilization was also an urgent priority, necessitating control of intolerably high inflation. It was recognized that macro-economic stabilization would provide a sound foundation for medium and long-term structural economic reforms and accelerate the rate of economic growth in a sustained manner. This would be possible by removing distortions created by controls and by improving the competitive edge for Indian goods and services in global markets as well as in the markets of major regional trading blocs.

3.2.1 Reforms Related to Macro Economic Management

Macro-economic management reforms have focused on controlling the politically difficult problems of reducing the fiscal and (even more so) revenue deficits. The capital account deficit does not pose long-term problems as investment in productive capital made in the present, if prudently carried out, will generate an adequate income stream to pay for capital costs incurred and generate positive returns in the future. India's problem is primarily in the area of revenue deficits. From 1950 to 1980 the national budget was usually characterized by revenue surpluses and capital account deficits. However, after 1980, all (democratic) governments for political reasons had willingly allowed the revenue deficit to rise over the years to dangerously high levels, and had found it increasingly difficult to reduce. The revenue deficits reflected an excess of annual consumption expenditure by the government over its annual income. The deficit was caused by excessive employment in the government sectors, uneconomical pricing of goods and services by public sector enterprises, a growing interest burden, mounting subsidies, and rising defense expenditures. Downsizing the government (through the bureaucracy or public sector enterprises and banks) was also difficult and negotiate staff resistance from the organized employees.

1) Attempts at Reducing the Fiscal Deficit

Faced with the necessity of reducing the fiscal deficit in the crisis year of 1991-92, Finance Minister Singh attempted to reduce fertilizer and food subsidies in 1991-92 and to some extent in 1992-93. Simultaneously, he (and several subsequent finance ministers) resorted to the softer options of reducing public investment expenditure and reducing public expenditure on social welfare services from 1991 to 1995. These measures did help reduce the fiscal deficit of the central government to 4.8 percent of GDP at the end of 1992-93. However, further cuts in fertilizer and food subsidies could not be carried out as these measures were opposed in Parliament and proved

suicidal for the ruling Congress Party, which lost power in state elections in 1993-94.

Meanwhile, the fiscal position of the state governments also started deteriorating. The combined fiscal deficit of the central government and the states climbed to the unacceptably high level of 10-11 percent of GDP in 2002-03. Some state governments have begun to address their fiscal deficit problems. The central government has recently started linking further transfers of resources to the states to the progress of state-specific economic reforms aimed at reducing deficits.

The good news for macro-economic management reforms is that the pre-1990 pattern of 'deficit financing' (that is, the printing of currency) to meet the fiscal deficit has now been effectively curbed. The autonomy of the central bank (the Reserve Bank of India) in regulating the money supply to control inflation has been assured within the limits of monetary policy. This has led the government to resort to larger and larger domestic borrowing. The bad news is that government borrowings have risen so high that the economy is moving towards an 'internal debt trap'. Further growth of internal debt needs to be curbed but the government is in no mood to close off this easy way of financing its rising fiscal deficit. The finances of most state governments are in even poorer shape and some have occasionally resorted to market borrowings to meet their payrolls.

2) Tax Reforms

Since 1991 several efforts have been made through the annual budget process to achieve tax reforms. These have focused on: (i) expanding the tax base by including services (not previously taxed); (ii) reducing rates of direct taxes for individuals and corporations; (iii) abolishing most export subsidies, (iv) lowering import duties (covered below by us under structural reforms relating to trade policies/external sector); (v) rationalizing sales tax and reducing the cascading effect of central indirect taxes by introducing a Modified Value Added Tax and a soon-to-be implemented nationwide Value Added Tax; (vi) rationalizing both direct and indirect taxes by removing unnecessary exemptions; (vii) providing for tax incentives for infrastructure and export-oriented sectors, including setting up special (Export) Economic Zones; and (viii) simplification of procedures and efforts for improving the efficiency of the tax administration system especially through computerization.

3) Resource Generation through Divestment

The governments of India, both at the central and state government levels, have initiated divestment programs to sell government equity in several public-sector enterprises. Unfortunately, the sales proceeds have mostly been used to finance fiscal deficits rather than for fresh public investment, social sector spending, or reducing the interest burden on ballooning public debt.

3.2.2 Structural Economic Reforms

Structural reforms since 1991 have been sector-specific. The sectors subjected to reform have been carefully selected and the coverage of sectors under structural reforms has been extended over time. The major structural economic reforms

carried out since 1991 have been primarily in the following areas: Trade Policy/ External Sector; Industrial Policy; Infrastructural Sector Policies; Divestment/ Privatization Policies; the Financial Sector; and in policies for attracting Foreign Direct Investment (FDI). The thrust of the reforms in all areas has been to open India's markets to international competition, remove exchange rate controls, and encourage private investment and participation in industry and, in the finance markets, to liberalise access to foreign capital and to ensure that foreign investment is not penalized merely for being foreign.

1) **Reorientation of Planning**

Consistent with the spirit of the market-oriented and private sector-led economic reforms launched since 1991, the government has reoriented the role of planning in India. It has been recognized that market forces and the state should be given roles which added to their comparative advantages and that they should work together as partners in the economic development of the nation. While private initiative should be encouraged in most areas of business activities, the state should increasingly play a pro-active role in areas in which the private sector is either unwilling to act or is incapable of regulating itself in the social interest. The areas in which the state has a comparative advantage over the private sector include poverty alleviation programs; human resource development; provision of social services such as primary health and primary education; and similar activities categorized as building human capital and social infrastructure. The state also has a new role in setting up independent regulatory authorities to encourage genuine competition and to oversee the provision of services by the private sector in critical areas such as utilities, water supply, telecommunications, and stock market operations to avoid the ill effects of speculation and to maintain a workable balance between the interests of the producer and the consumers. Economic liberalization in the organized manufacturing sector (subjected to rigid labour laws for retrenchment) has led to growth with very little additional employment. This can create serious social unrest and fertile ground for terrorist and other anti-social activities that attract unemployed youths in the absence of gainful employment. Market-based economic reforms also often lead to increasing disparities between the rich and the poor and between infrastructurally backward and more developed states. The government has to intervene and calibrate the contents and speed of market-based economic reforms to more effectively addresses the specific areas of 'market failures and weaknesses' to optimize growth with social justice.

The new role assigned to planning, consistent with market-based economic liberalization, can perhaps best be illustrated with the goals and the strategies incorporated in India's Tenth Five-Year Plan (2002-07).²² The Plan has targeted an annual growth rate of eight percent. Along with this growth target, the government has laid down targets for human and social development. Timely corrective actions will be proposed to ensure growth which is accompanied by social justice. The key indicators of human and social development targeted under this Plan include: a reduction of the poverty rate by five percentage points by 2007; providing gainful employment to at least those who join the labour force during 2002-07; education for all children in schools by 2003; and an increase in the literacy rate to 75 percent by March 2007.

In this session you read about various reforms undertaken during the plan period and now answer the questions given in the Check Your Progress-1.

Check Your Progress 1

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) What were the main focus areas in the tax reforms since 1991?

.....

.....

.....

.....

.....

2) What are the steps that have been taken since liberalization to reorient the role of planning in India?

.....

.....

.....

.....

.....

3.3 VARIOUS PLANS IN THE POST REFORM PERIOD

Now, we will discuss in detail the various objectives of the five year plans during the post liberalization period.

8th Plan (1992-97)

Before the start of the eighth plan, India had a robust and resilient agricultural economy with near self-sufficiency in food production, a diversified industrial and service structure and a large pool of skilled manpower and ample entrepreneurial capabilities. The task before the Eighth Plan was to use these advantages for further growth and lay strong foundations for even higher growth in the future. Just before the formulation of the Eighth Five Year Plan India, there was great political instability in India which hindered the implementation of any five years plan for the following two years after the Seventh Five Year Plan. This period is characterized by extreme FOREX reserve crisis and introduction of liberalization and privatization in Indian economy. The eighth plan was initiated just after a severe balance of payment crisis, which was further intensified by the Gulf war in 1990. Under this plan, the gradual opening of the Indian economy was undertaken to correct the burgeoning deficit and foreign debt. Meanwhile India became a member of the World Trade Organization on 1 January 1995.

Invitation to FDI in Indian industrial sector and to follow free market reforms were the only possible ways to revive the country from foreign debt.

Objectives of the Eighth Five Year Plan India:

The main objectives of the Eighth Five Year Plan India are:

- to prioritize the specific sectors which requires immediate investment
- to generate full scale employment
- to promote social welfare measures like improved healthcare, sanitation, communication and provision for extensive education facilities at all levels
- to check the increasing population growth by creating mass awareness programs
- to encourage growth and diversification of agriculture
- to achieve self-reliance in food and produce surpluses for increase in exports
- to strengthen the infrastructural facilities like energy, power, irrigation
- to increase the technical capacities for developed science and technology
- to modernize Indian economy and build up a competitive efficiency in order to participate in the global developments
- to place greater emphasis on role of private initiative in the development of the industrial sector
- to involve the public sector to focus on only strategic, high-tech and essential infrastructural developments
- to create opportunities for the general people to get involved in various developmental activities by building and strengthening mass institutions

9th Plan (1997-2002)

The main feature of the Ninth Five Year Plan India is that at its onset our nation crossed the fifty years of independence and this called for a whole new set of development measures. There was a fresh need felt for increasing the social and economic developmental measures. The government felt that the full economic potentiality of the country, yet to be explored, should be utilized for an overall growth in the next five years. As a result in the Ninth Five Year Plan India, the emphasis was on human development, increase in the growth rate and adoption of a full scale employment scheme for all. For such development one needs to promote the social sectors of the nation and to give utmost importance to the eradication of poverty. It was observed in the eighth plan that, even though the economy performed well, the gains did not percolate to the weaker sections of the society. The ninth plans therefore laid greater impetus on increasing agricultural and rural incomes and alleviating the conditions of the marginal farmer and landless labourers. The main aim of ninth five year plan was to attain objectives like speedy industrialization, human development, full-scale employment, poverty reduction, and self-reliance on domestic resources.

The main objectives of the Ninth Five Year Plan were:

- to prioritize agricultural sector and emphasize on the rural development
- to generate adequate employment opportunities and promote poverty reduction
- to stabilize the prices in order to accelerate the growth rate of the economy
- to ensure food and nutritional security
- to provide for the basic infrastructural facilities like education for all, safe drinking water, primary health care, transport, energy
- to check the growing population increase
- to encourage social issues like women empowerment, conservation of certain benefits for the Special Groups of the society
- to create a liberal market for increase in private investments

10th Plan (2002-2007)

The tenth plan aimed at making the Indian economy the fastest growing economy in the world, with a growth target of 10%. It wanted to bring in investor friendly market reforms and create a friendly environment for growth. It sought active participation by the private sector and increased FDI's in the financial sector. Emphasis was laid on corporate transparency and improving the infrastructure. It also aimed to reduce poverty ratio by 5 percentage points by 2007 and increase in literacy rates to 75 per cent by the end of the plan. Increase in forest and tree cover to 25 per cent by 2007 and all villages to have sustained access to potable drinking water. The main objectives of the Ninth five year plan were:

- Reduction of poverty ratio by 5 percentage points by 2007;
- Providing gainful and high-quality employment at least to the addition to the labour force;
- Increase in literacy rate to 75 per cent by the end of tenth plan;
- Reduction in gender gaps in literacy and wage rates by at least 50% by 2007.

11th Plan (2007-2012)

The eleventh five year plan targets to increase GDP growth to 10%, to reduce educated unemployment to below 5% while it aims to reduce infant mortality rate to 28 and maternal mortality ratio to 1 per 1000 live births, reduce Total Fertility Rate to 2.1 in the health sector.

The plan also targets to ensure electricity connection and clean drinking water to all villages and increase forest and tree cover by 5% and offering opportunities to all for employment in the service of the community. Some of the specific objectives in various areas are as follows:

1) Income & Poverty

- Accelerate GDP growth from 8% to 10% and then maintain at 10% in the 12th Plan in order to double per capita income by 2016-17
- Increase agricultural GDP growth rate to 4% per year to ensure a broader spread of benefits

- Create 70 million new work opportunities.
- Reduce educated unemployment to below 5%.
- Raise real wage rate of unskilled workers by 20 percent.
- Reduce the headcount ratio of consumption poverty by 10 percentage points.

2) Education

- Reduce dropout rates of children from elementary school from 52.2% in 2003-04 to 20% by 2011-12
- Develop minimum standards of educational attainment in elementary school, and by regular testing monitor effectiveness of education to ensure quality
- Increase literacy rate for persons of age 7 years or above to 85%
- Lower gender gap in literacy to 10 percentage point
- Increase the percentage of each cohort going to higher education from the present 10% to 15% by the end of the plan

3) Health

- Reduce infant mortality rate to 28 and maternal mortality ratio to 1 per 1000 live births
- Reduce Total Fertility Rate to 2.1
- Provide clean drinking water for all by 2009 and ensure that there are no slip-backs
- Reduce malnutrition among children of age group 0-3 to half its present level
- Reduce anaemia among women and girls by 50% by the end of the plan

4) Women and Children

- Raise the sex ratio for age group 0-6 to 935 by 2011-12 and to 950 by 2016-17
- Ensure that at least 33 percent of the direct and indirect beneficiaries of all government schemes are women and girl children
- Ensure that all children enjoy a safe childhood, without any compulsion to work

5) Infrastructure

- Ensure electricity connection to all villages and BPL households by 2009 and round-the-clock power.
- Ensure all-weather road connection to all habitation with population 1000 and above (500 in hilly and tribal areas) by 2009, and ensure coverage of all significant habitation by 2015
- Connect every village by telephone by November 2007 and provide broadband connectivity to all villages by 2012
- Provide homestead sites to all by 2012 and step up the pace of house construction for rural poor to cover all the poor by 2016-17

6) Environment

- Increase forest and tree cover by 5 percentage points.
- Attain WHO standards of air quality in all major cities by 2011-12.
- Treat all urban waste water by 2011-12 to clean river waters.
- Increase energy efficiency by 20 percentage points by 2016-17.

3.4 DEVELOPMENT OF VARIOUS SECTORS IN THE POST REFORM PERIOD

Agriculture

A common criticism of India's economic reforms is that they have been excessively focused on industrial and trade policy, neglecting agriculture which provides the livelihood of 60 percent of the population. Critics point to the deceleration in agricultural growth in the second half of the 1990s. Modernization of agriculture was required both in terms of technological and institutional changes. There was a loss of dynamism in agriculture and allied sectors after the mid-1990s.

There were several policy initiatives taken up since then to promote agricultural sector. These have included the following: (a) National Agriculture Policy, 2000, (b) Vishesh Krishi Upaj Yojana, 2004, (c) National Horticulture Mission, 2005, (d) National Policy for Farmers, 2007, (e) Comprehensive District Agriculture Plan, 2007, (f) Rashtriya Krishi Vikas Yojana, 2007 and (g) National Food Security Mission, 2007. Reforms in this sector were introduced only towards the end of the 1990s. These reforms included: (a) partial decontrol of fertiliser prices, (b) removal of bottlenecks in agricultural marketing, (c) relaxation of restrictions under the Essential Commodities Act, 1955 and (d) introduction of forward trading in important commercial crops.

The Union Government has also constituted a National Rainfed Area Authority (NRAA) on 03-11-2006 to give focused attention to the problem of the rainfed areas of the country. The Authority is an advisory, policy making and monitoring body charged with the role of examining guidelines in various existing schemes and in the formulation of new schemes including all externally aided projects in this area.

Besides, a scheme of debt waiver for small and marginal farmers and debt relief for other farmers has been announced by the Government in the Union Budget for 2008-09. Against the target of Rs.2, 25,000 crore for agriculture credit flow for 2007-08 the achievement was Rs.2, 43,569 crore.

Agricultural Extension has been strengthened and Agricultural Technology Management Agencies (ATMAs) have been set up in 565 districts by the end of 2007-08.

With the new trade policy initiated in 1991, three major changes were effected in agricultural export and import. Firstly, channelling of trade was abandoned and now, except for a few items, government does not determine the value or nature of imports or exports except for a few items. Secondly, most of the quantitative restrictions on agricultural trade flows have been dismantled and thirdly, tariff rates have been reduced. But while agriculture has benefited from trade policy

changes, it has suffered in other respects, most notably from the decline in public investment in areas critical for agricultural growth, such as irrigation and drainage, soil conservation and water management systems, and rural roads.

Industry

Industrial policy has seen the greatest change, with most central government industrial controls being dismantled. The list of industries reserved solely for the public sector — which used to cover 18 industries, including iron and steel, heavy plant and machinery, telecommunications and telecom equipment, minerals, oil, mining, air transport services and electricity generation and distribution — has been drastically reduced to three: defense aircrafts and warships, atomic energy generation, and railway transport. Industrial licensing by the central government has been almost abolished except for a few hazardous and environmentally sensitive industries. The requirement that investments by large industrial houses needed a separate clearance under the Monopolies and Restrictive Trade Practices Act to discourage the concentration of economic power was abolished and the act itself is to be replaced by a new competition law which will attempt to regulate anticompetitive behavior in other ways.

Since 1991, industrial policy measures and procedural simplifications have been reviewed on an ongoing basis. Presently, there are only six industries which require compulsory licensing. Similarly, there are only three industries reserved for the public sector. Some of important policy measures initiated since 1991 are set out below:

- Since 1991, promotion of foreign direct investment has been an integral part of India's economic policy. The Government has started a liberal and transparent foreign investment regime where most activities are opened to foreign investment on automatic route without any limit on the extent of foreign ownership. FDI up to 100 per cent has also been allowed under automatic route for most manufacturing activities in Special Economic Zones (SEZs).
- Reservation of items of manufacture exclusively in the small scale sector has been an important tenet of industrial policy. Realizing the increased import competition with the removal of quantitative restrictions since April 2001, the Government has adopted a policy of
- dereservation and has pruned the list of items reserved for SSI sector gradually from 821 items as at end March 1999 to 506 items as on April 6, 2005. Further, the Union Budget 2005-06 has proposed to dereserve 108 items which were identified by Ministry of Small Scale Industries.
- Equity participation up to 24 per cent of the total shareholding in small scale units by other industrial undertakings has been allowed. The objective therein has been to enable the small sector to access the capital market and encourage modernization, technological upgradation, ancillarisation, sub-contracting, *etc.*
- Under the framework provided by the Competition Act 2002, the Competition Commission of India was set up in 2003 so as to prevent practices having adverse impact on competition in markets.

- In an effort to mitigate regional imbalances, the Government announced a new North-East Industrial Policy in December 1997 for promoting industrialization in the North-Eastern region. The Policy has provided various concessions to industrial units in the North Eastern Region, *e.g.*, development of industrial infrastructure, subsidies under various schemes, excise and income-tax exemption for a period of 10 years, *etc.*
- As a result of disinvestment process of PSUs, up to December 2004, PSUs have been disinvested to an extent of Rs.478 billion.

Apart from general policy measures, some industry specific measures have also been initiated. For instance, Electricity Act 2003 has been enacted which envisaged to de-license power generation and permit captive power plants. It is also intended to facilitate private sector participation in transmission sector and provide open access to grid sector. Various policy measures have facilitated increased private sector participation in key infrastructure sectors such as, telecommunication, roads and ports. Foreign equity participation up to 100 per cent has been allowed in construction and maintenance of roads and bridges. MRTP provisions have been relaxed to encourage private sector financing by large firms in the highway sector.

Trade

Before the reforms, India had a closed economy and the trade policy was characterized by high tariffs and pervasive import restrictions. Imports of manufactured consumer goods were completely banned. For capital goods, raw materials and intermediates, certain lists of goods were freely importable, but for most items where domestic substitutes were being produced, imports were only possible with import licenses. The criteria for issue of licenses were non transparent, delays were endemic and corruption unavoidable. The economic reforms sought to phase out import licensing and also to reduce import duties. Import licensing was abolished relatively early for capital goods and intermediates which became freely importable in 1993.

Removing quantitative restrictions on imports of capital goods and intermediates was relatively easy, because the number of domestic producers was small and Indian industry welcomed the move as making it more competitive. It was much more difficult in the case of final consumer goods because the number of domestic producers affected was very large (partly because much of the consumer goods industry had been reserved for small scale production). Quantitative restrictions on imports of manufactured consumer goods and agricultural products were finally removed on April 1, 2001, almost exactly ten years after the reforms began.

Motivated by the success of China's special economic zones (SEZs) and the Shannon Free Trade Zone in Ireland, among others, the Government of India introduced SEZs under its Export-Import Policy of 2000.

Foreign Direct Investment

Liberalizing foreign direct investment was another important part of India's reforms, driven by the belief that this would increase the total volume of investment in the economy, improve production technology, and increase access to world markets. The policy now allows 100 percent foreign ownership in a large number of industries and majority ownership in all except banks, insurance companies,

telecommunications and airlines. Procedures for obtaining permission were greatly simplified by listing industries that are eligible for automatic approval up to specified levels of foreign equity (100 percent, 74 percent and 51 percent). In 1993, foreign institutional investors were allowed to purchase shares of listed Indian companies in the stock market, opening a window for portfolio investment in existing companies.

The Policy for FDI allows freedom of location, choice of technology, repatriation of Capital and dividends. As a result of these measures, there has been a strong surge of international interest in the Indian economy. The rate at which foreign direct investment has grown during the post-liberalization period is a clear indication that India is fast emerging as an attractive destination for overseas investors. FDI policy in India has been made considerably more investor-friendly, particularly by virtue of the provisions incorporated under the Foreign Exchange Management Act (“FEMA”) regulations, which replaced the infamous Foreign Exchange Regulation Act (FERA). Nodal agencies such as the Foreign Investment Promotion Board (FIPB), and the Foreign Investment Implementation Authority (FIIA) facilitate realization of approved FDI and provide a “proactive”, one-stop service to foreign investors by helping them obtain the necessary approvals and acting as a single point interface between the Government and governmental authorities. All these steps are significant improvements over the tightly regulated import-export regime of the 1980s and early 1990s.

Various agencies have been set up at different points of time to promote FDI. They are:

1991 Foreign Investment Promotion Board FIPB

- consider and recommend Foreign Direct Investment (FDI) proposals, which do not come under the automatic route. It is chaired by Secretary Industry (Department of Industrial Policy & Promotion).

1996 Foreign Investment Promotion Council FIPC

- constituted under the chairmanship of Chairman ICICI, to undertake vigorous investment promotion and marketing activities. The Presidents of the three apex business associations such as ASSOCHAM, CII and FICCI are members of the Council.

1999 Foreign Investment Implementation Authority FIIA

- functions for assisting the FDI approval holders in obtaining various approvals and resolving their operational difficulties. FIIA has been interacting periodically with the FDI approval holders and following up their difficulties for resolution with the concerned Administrative Ministries and State Governments.

2004 Investment Commission

- Headed by Ratan Tata, this commission seeks meetings and visits industrial groups and houses in India and large companies abroad in sectors where there was dire need for investment.

Infrastructural Development

Rapid growth in a globalized environment requires a well-functioning

infrastructure including especially electric power, road and rail connectivity, telecommunications, air transport, and efficient ports. India lags behind east and Southeast Asia in these areas. These services were traditionally provided by public sector monopolies but since the investment needed to expand capacity and improve quality which could not be mobilized by the public sector, these sectors were opened to private investment, including foreign investment.

The results in telecommunications have been much better and this is an important factor underlying India's success in information technology. Civil aviation and ports are two other areas where reforms appear to be succeeding, though much remains to be done. Two private sector domestic airlines, which began operations after the reforms, now have more than half the market for domestic air travel.

Financial Sector Reform

Since liberalization, there have been many initiatives taken up to reform the financial sector as well. Banking sector reforms included: (a) measures for liberalization, like dismantling the complex system of interest rate controls, eliminating prior approval of the Reserve Bank of India for large loans, and reducing the statutory requirements to invest in government securities; (b) measures designed to increase financial soundness, like introducing capital adequacy requirements and other prudential norms for banks and strengthening banking supervision; (c) measures for increasing competition like more liberal licensing of private banks and freer expansion by foreign banks.

Reforms in the stock market were accelerated by a stock market scam in 1992 that revealed serious weaknesses in the regulatory mechanism. Reforms implemented include establishment of a statutory regulator; promulgation of rules and regulations governing various types of participants in the capital market and also activities like insider trading and takeover bids; introduction of electronic trading to improve transparency in establishing prices; and dematerialization of shares to eliminate the need for physical movement and storage of paper securities.

Another important reform is the withdrawal of the special privileges enjoyed by the Unit Trust of India, a public sector mutual fund which was the dominant mutual fund investment vehicle when the reforms began.

The insurance sector (including pension schemes), was a public sector monopoly at the start of the reforms. The need to open the sector to private insurance companies was recommended by an expert committee (the Malhotra Committee) in 1994, but there was strong political resistance. It was only in 2000 that the law was finally amended to allow private sector insurance companies, with foreign equity allowed up to 26 percent, to enter the field.

Privatization

The public sector accounts for about 35 percent of industrial value added in India, but although privatization has been a prominent component of economic reforms in many countries, India has been hesitant on the subject until very recently. Initially, the government adopted a limited approach of selling a minority stake in public sector enterprises while retaining management control with the government, a policy described as "disinvestment" to distinguish it from privatization. The principal motivation was to mobilize revenue for the budget, though there was some expectation that private shareholders would increase the commercial

orientation of public sector enterprises. This policy had very limited success.

In 1998, the government announced its willingness to reduce its shareholding to 26 percent and to transfer management control to private stakeholders purchasing a substantial stake in all central public sector enterprises except in strategic areas. The first such privatization occurred in 1999, when 74 percent of the equity of Modern Foods India Ltd. (a public sector bread-making company with 2000 employees), was sold with full management control to Hindustan Lever, an Indian subsidiary of the Anglo-Dutch multinational Unilever. This was followed by several similar sales with transfer of management.

The new industrial policy did away with much of the industrial licensing and many entry restrictions on investment and expansion. It also ended public sector monopoly in many sectors, and initiated a policy of automatic approval for FDI of up to 51 per cent. The 1991 policy statement also limited public sector monopoly to six sectors selected on security and strategic grounds.

ICT

A spate of reforms-post-1991 economic crisis-have given impetus to the Indian economy, particularly to the ICT sector. As part of the reform agenda, the Indian Government has taken major steps to promote ICT including the creation in 1988 of a World Market Policy, with a focus on software development for export; telecommunications policy reform; privatization of the national long-distance and mobile phone markets; and development of a more comprehensive approach to ICT. Although India's success is commanding increasing attention and investment, it has yet to result in the distribution of social and economic benefits across a broader base of the population. Challenges-including the perception of an unfavorable regulatory climate, an overloaded judicial system, poor infrastructure and costly access, and limited use of ICT-remain. The emerging shift in government strategy, toward knowledge-intensive services, has created a climate more conducive to addressing enterprise, domestic infrastructure, education and the use of ICT to meet development needs.

India's focus on self-reliant industrialization in the 1970s and 1980s has been replaced with reforms aimed at positioning India in the world economy: the foreign direct investment process has been streamlined, new sectors have been opened up to foreign direct investment and ownership, and the government has exempted the ICT industry from corporate income tax for five years. These reforms have helped India to become increasingly integrated into the global economy through growth in the export of software and skill-intensive software services, such as call-centers.

In 1986, the Indian government announced a new software policy designed to serve as a catalyst for the software industry. This was followed in 1988 with the World Market Policy and the establishment of the Software Technology Parks of India (STP) scheme. As a result, the Indian software industry grew from a mere US\$150 million in 1991-1992 to a staggering US\$5.7 billion (including over US\$4 billion worth of software exports) in 1999-2000-representing an annual growth rate of over 50 percent.

The establishment of the Telecommunications Regulatory Authority of India (TRAI) was a key step towards effective implementation of telecommunications

reforms. In 1992, the mobile phone market was opened up to private operators, in 1994 the fixed services market followed, and finally in 1999, national long distance operations were opened to private competition. Prior to these reforms, the Department of Telecommunications had been the sole provider of telecommunications services.

Access to telephones in Indian villages has improved in the last five to six years through the introduction of the Public Call Office (PCO) run by local shopkeepers. More than 60 percent of the villages in India have at least one phone. This also includes over 800,000 Village Public Telephones (VPTs). In some urban locations, India's Software Technology Parks (STPs) provide infrastructure, buildings, electricity, telecommunications facilities and high-speed satellite links to facilitate export processing of software.

India also has a number of progressive computerized networks in place, including a stock exchange, the Indian Railways Passenger Reservation System, and the National Informatics Centre Network (NICNET), which connects government agencies at the central, state and district levels

Social Sector and rural Development

The social indicators of India were much behind that of the other Southeast Asian countries during the start of the reforms. The gap in social development needed to be closed, not only to improve the welfare of the poor and increase their income earning capacity, but also to create the preconditions for rapid economic growth. Central government expenditure on towards social services and rural development increased from 7.6 percent of total expenditure in 1990-91 to 10.2 percent in 2000-01. As a percentage of GDP, these expenditures show a dip in the first two years of the reforms, when fiscal stabilization compulsions were dominant, but there is a modest increase thereafter. While the challenges in this area are enormous, it is worth noting that social sector indicators have continued to improve during the reforms. The literacy rate increased from 52 percent in 1991 to 65 percent in 2001, a faster increase in the 1990s than in the previous decade, and the increase has been particularly high in the some of the low literacy states such as Bihar, Madhya Pradesh, Uttar Pradesh and Rajasthan.

One of the most significant trends emerging in the wake of liberalization is the new vigour of the entry of corporate hospitals and multinationals in the health care scenario. The reason for this new tempo is the potential that India offers to NRIs and multinationals.

Between August 1991 and August 1997, the Foreign Investment Promotion Board (FIPB) approved foreign direct investment (FDI) proposals worth US\$100 million in the Indian health care sector. Besides health insurance, the high-tech, medical, electronic equipment industry has been the other area to attract investment by multinationals following liberalization.

Similarly, for rural development, various schemes/programmes have been launched for rural development including the following: (a) Indira Awaas Yojana, 1986, (b) Rural Infrastructure Development Fund, 1996, (c) Swarnjayanti Gram Swarozgar Yojana, 1999, (d) Total Sanitation Campaign, 1999, (e) Pradhan Mantri Gram Sadak Yojana, 2000, (f) National Nutrition Mission, 2001, (g) National Rural Employment Guarantee Act, 2005, (h) National Rural Health Mission, 2005,

(i) Rajiv Gandhi Grameen Vidyutikaran Yojana, 2005, (j) Bharat Nirman, 2005 and (k) Prime Minister Employment Generation Programme, 2008.

In this session you read about various five year plans undertaken during post-reform period and the performance of various sectors and now answer the questions given in the Check Your Progress-2.

Check Your Progress 2

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

- 1) What was the state of Indian economy before the start of the eighth five year plan?

.....

.....

.....

.....

.....

.....

.....

.....

3.5 LET US SUM UP

The economic reforms initiated in early 1990s aimed at reorientation of the economy from a control economy to market oriented one. In this unit we read about the various economic reforms that were taken up in India as a process of liberalization. This unit also discusses about the various five year plans and their performances during the post-liberalization period. We also get an insight into the performances of various sectors during the post liberalization period.

3.6 REFERENCES AND SUGGESTED READINGS

Gokaran S. and Gulati G. (2006), *India: Country Growth Analysis*, Economic Assessment, Asian Development Bank.

Planning Commission (1998), *Annual Report 1997-98*, Government of India, Planning Commission.

Planning Commission (2003), *Annual Report 2002-03*, Government of India, Planning Commission.

Planning Commission (2007), *Annual Report 2006-07*, Government of India, Planning Commission.

Planning Commission (various issues), *Plan Documents*, Government of India, Planning Commission.

3.7 CHECK YOUR PROGRESS – POSSIBLE ANSWERS

Check Your Progress 1

- 1) What were the main focus areas in the tax reforms since 1991?

Answer: The tax reforms have focused on: (i) expanding the tax base by including services; (ii) reducing rates of direct taxes for individuals and corporations; (iii) abolishing most export subsidies, (iv) lowering import duties; (v) rationalizing sales tax and reducing the cascading effect of central indirect taxes by introducing a MVAT; (vi) rationalizing both direct and indirect taxes by removing unnecessary exemptions; (vii) providing for tax incentives for infrastructure and export-oriented sectors; and (viii) simplification of procedures and efforts for improving the efficiency of the tax administration system especially through computerization.

- 2) What are the steps that have been taken since liberalization to reorient the role of planning in India?

Answer: It has been recognized that market forces and the state should be given roles that play to their comparative advantages and that they should work together as partners in the economic development of the nation. While private initiative should be encouraged in most areas of business activities, the state should increasingly play a pro-active role in areas in which the private sector is either unwilling to act or is incapable of regulating itself in the social interest. The state also has a new role in setting up independent regulatory authorities to encourage genuine competition and to oversee the provision of services by the private sector.

Check Your Progress 2

- 1) What was the state of Indian economy before the start of the eighth five year plan?

Answer: Before the start of the eighth plan, India had a robust and resilient agricultural economy with near self-sufficiency in food production, a diversified industrial and service structure and a large pool of skilled manpower and ample entrepreneurial capabilities. However, just before the formulation of the Eighth Five Year Plan India, there was great political instability in India which hindered the implementation of any five years plan for the following two years after the Seventh Five Year Plan. This period is characterized by extreme FOREX reserve crisis and introduction of liberalization and privatization in Indian economy.

UNIT 4 GLOBALIZATION AND DEVELOPMENT IN INDIA

Structure

- 4.1 Introduction
- 4.2 Globalization – Meaning and Perspectives
- 4.3 Dimensions of Globalization
 - 4.3.1 Globalization of Financial Markets
 - 4.3.2 Globalization of Goods and Services
 - 4.3.3 Globalization of Production
- 4.4 The Incompleteness and Imperfections in Globalization
- 4.5 Globalization and the Role of the State in the Economy
- 4.6 Unevenness in Development and Globalization
- 4.7 Globalization and Development: The International Experience
- 4.8 Globalization and Indian Development
 - 4.8.1 Export and Import
 - 4.8.2 Growth and its Composition
 - 4.8.3 Employment
 - 4.8.4 Poverty and Inequality
 - 4.8.5 Growth of Private Corporate Sector
 - 4.8.6 Growing Rural-Urban Divide
 - 4.8.7 Public Expenditure Stagnation
 - 4.8.8 The Indian Experience with Globalization: Growth and Development
- 4.9 Let Us Sum Up
- 4.10 References and Suggested Readings
- 4.11 Check Your Progress – Possible Answers

4.1 INTRODUCTION

Globalization is one of the defining features of the contemporary world, shaping in a major way the economic trajectories of all nations. Many of these nations including India are at the same time confronted with a massive challenge of development and improvement of the general standards of living of their people. How does the globalization process enable or constrain the meeting of this challenge is therefore one of the very important questions of our time.

After reading this unit you will be able to:

- Understand what is meant by the term economic globalization.
- Develop a sense of its impact on the world and specifically on developing countries.
- Become familiar with some of the key issues arising out of the Indian experience with Globalization.

4.2 GLOBALIZATION – MEANING AND PERSPECTIVES

Globalization, or more precisely economic globalization, is an expression used both to describe a process as well as any phase of the world economy characterized by that process. Broadly speaking in the former sense Globalization is usually used to depict a process of increased integration between the economies of different countries that make up the world. This integration is said to involve the increasing movement of products, capital and labour, and of technology, across the political borders of countries. The extensive development of such integration is seen to be a characteristic feature of world history since the mid-1970s. The period since 1973 is therefore considered the age of Globalization. While this is the most common view, some consider the entire post-World War II period to be included under Globalization. It has also however been argued that contemporary Globalization is the second coming of that process, and the half-century or more preceding the outbreak of the First World War (1914) was also characterized by an increased economic integration in the world. In this unit however we shall refer to the process unfolding in the world since the 1970s, and particularly from the early 1990s, as Globalization.

The facilitating factor of the globalization process has been the increasing openness of the economies of the world to cross-border flows, meaning the replacement of controls and regulation by governments of such flows by their *liberalization*. The degrees to which goods and services produced in any country are allowed to be sold in another depend on the extent to which these are permitted by the governments of the two concerned countries. Similarly the extents to which nationals of either country are allowed to move the capital owned by them to the other or to work in them depend on what is permitted by their respective governments. Based on economic, political and other considerations, States can and do restrict or permit such cross-border economic interaction. The greater is the extent of restriction the more closed an economy would be. Correspondingly it becomes a more open economy the freer is cross-border economic interaction from government control and regulation.

Completely closed and completely open economies are at two extremes and in reality it is impossible to find instances of either of them. Cross border flows of products, capital, labour, and technology, do not necessarily require complete openness of the economies between whom such flows occur. International transactions of these kinds took place even before the advent of the era of Globalization. The scales of these transactions also depend on a host of other factors and not merely on the degree of openness of the participating economies. Thus for instance, under the impact of the current global crisis, world trade has contracted in the last year without any change in the degree of openness of economies. On the other hand, the high growth of the world economy in the post-Second World War period generated an expansion of the volume of world merchandise trade at a faster rate than has been the case subsequently under globalization and more open economies. Between 1950 and 1973, the rate of growth of world trade was 8.2 per cent per annum while from 1974 to 2007 it was 5 per cent per annum.

From the viewpoint of any individual country, the degree of its closeness or openness is not without significance. Changes in this degree are accompanied by

qualitative changes in the nature of mutual interaction between that economy and the rest of the world. When economies are relatively more closed, they tend to have more of an autonomous dynamic of their own. In such circumstances many of the more important processes related to the movement of any country's economy over time are national in nature – taking place within the boundaries of that country. As the economy however becomes more open, the influence of external factors in shaping its course tends to increase and its autonomy tends to decline.

Increasing integration of the world's economies however means more than simply the increasing influence of external factors on all economies. When a single country unilaterally becomes more open, it changes its situation significantly but that change does not have an equally significant impact on the *global* context confronting individual countries. But when all or most countries simultaneously become more open, they also through that transform this global context. If increasing openness is generalized, that is all or most countries lower barriers to cross-border flows, then the different national economies that constitute the world economy become bound more closely together as the field for processes that take place at the *international* plane - that is, the world economy *as a whole* is their arena. This kind of integration is the distinctive feature associated with globalization which therefore represents more than the mere existence of international economic transactions on a large scale. Apart from the increasing openness of the world's economies, improvements in transport and communication technology are usually highlighted as important facilitators of this integration.

4.3 DIMENSIONS OF GLOBALIZATION

Globalization is an adjective attached to many things and encompasses more than mere economic globalization. Even however the increasing economic integration of the world's economies under Globalization has many layers and dimensions to it. In each of these powerful subsets of economic actors whose activities have a global reach, transnational or multinational firms play a central role. Three such important 'globalizations' can be said to be contained within contemporary globalization.

4.3.1 Globalization of Financial Markets

The first is the *globalization of financial markets*, which has become more marked since the early 1990s and is considered by many to be *the* distinctive feature of contemporary globalization. The capital flows taking place in the world are of two kinds which are distinguished by their purpose and economic significance. One kind of capital is portfolio capital which seeks profit through investments in financial assets. Financial assets – like loans, equity shares of companies, or government bonds - represent claims on the entities that use them for the purposes of raising funds. Such assets can be acquired from the issuing entity at the time they are issued (primary) or in many cases also through purchase from an existing holder (secondary), both of which involve transactions in financial markets. Profits from holding financial assets can take either the form of receiving from their issuers payments (like interest, dividend) against the temporary transfer of funds, or by their sale at a higher price than that at which they are acquired (capital gains). The era of globalization has been associated with extremely large volumes of portfolio capital, running into billions of dollars, moving freely across the world in search of profitable investments in the financial markets of different

countries. The conduits for this movement are financial firms – banks and other institutions, with a global reach. Capital account and financial sector liberalization have created the conditions for this globalization which involves primarily the cross-border movement of speculative short-term capital seeking quick and large profits. Increasingly, portfolio investments have taken the forms of holding marketable financial assets which can be quickly bought and sold, thereby enabling such capital to enter and exit from countries very quickly. They are therefore referred to as ‘hot money’ and their flows are characterized by a high degree of volatility.

Portfolio capital flows are distinct from the other component of international capital flows, namely foreign direct investment (FDI), and are also not strongly linked to the latter. FDI essentially involves investment in real assets where profits are earned by producing goods and services for sale. Its conduits are non-financial transnational or multinational firms. FDI may take the form of companies located in some country holding equity shares in their affiliates in other countries. The purpose of such holding however is to control and manage the real assets of that affiliate and not to profit from the sale of these shares at a higher price. FDI is therefore typically guided by long-term considerations and therefore does not move in and out of countries as rapidly as portfolio capital. There is however one kind of capital which shares the features of both portfolio capital and FDI, and is generally included in the latter. This is private equity capital where investments are associated with the exercise of control over the real assets of companies but with the relatively short-term objective of increasing the value of their shares before they are sold. Under globalization, the volumes of cross border portfolio capital flows have been considerably greater than FDI flows. In addition, an increasingly larger part of FDI flows consist of private equity flows which are more akin to speculative flows than regular FDI flows.

4.3.2 Globalization of Goods and Services

The second component of Globalization is the *globalization of markets* for goods and services - the tendency of moving in the direction of a single worldwide market supplied by a common set of firms. Transnational firms of course play a leading role in this, but trade and FDI play different roles in different categories of products. In the case of products that cannot be traded across countries (non-tradables) which include a large segment of services, FDI drives the process of market integration. Through such FDI, transnational firms have spread themselves across the world as sellers of products. Thus Vodafone is a provider of telecom services in Europe as well as in India. However, in case of tradables the location of production and sale of a product can be different, and the lowering of trade barriers only makes this more possible. Sony can therefore sell televisions in the Indian market which are produced by its plants say in China. Cross-border trade flows thus have a much greater role to play in the market integration process of tradables, in which are included most manufactured products. The FDI associated with this integration is somewhat different from that of non-tradables, and primarily takes place in the quest for the lowest-cost locations of production. A US transnational firm may therefore invest in building plants in China because it finds that relocating from the US to China would lower the cost of the products it can sell in the US itself, and also because it can use the same facility to competitively cater to the Chinese and Indian markets.

4.3.3 Globalization of Production

Complementing and overlapping with the globalization of markets is the third important dimension of globalization, the *globalization of production*. The entire process through which any product is produced is divisible into a number of stages or parts which are or can be physically separated. These may be vertically or horizontally linked to each other. The production of its engine and the assembly of a car are vertically linked to each other, the former having to necessarily precede the latter. The cleaning of the factory where these activities are being undertaken is not similarly vertically linked, but nevertheless is an essential but separable activity. Many of these different stages or parts may be undertaken within one firm – thus for instance an automobile company could produce its own engines and also have its own cleaners. Others may be undertaken by other firms thereby involving transactions between firms. Thus the automobile company may purchase the glass used in its automobiles from another firm and it could also hire a cleaning firm to clean the factory. Such transactions between firms may be of an arm's length variety – where the purchasing and selling firms have no stable relationship with each other and do not coordinate their activities. Such arms length transactions are possible in cases where the products being purchased are of some standard readily available kind of which there are many buyers. Thus, the automobile company may simply purchase the bulbs used in its factory from the market without having to coordinate matters with the bulb-producing firms. But when it needs engines made to its particular specifications, it cannot hope to similarly purchase them from the market – either it has to produce them itself or has to contract some other specific firm (s) to supply these in the requisite quantity. In the latter case, no supply will be forthcoming without prior coordination between the transacting firms. Around the automobile firm of our example therefore can emerge a coordinated network of activities and firms involved in one or the other way in the production of automobiles. The automobile firm may not be producing everything, but its position is nevertheless crucial in the entire process of coordination so that it stands at the apex of the network. The globalization of production refers to the emergence of such networks straddling a number of different countries.

Globalization of production can involve the spread of different activities undertaken within the same firm amongst different countries, giving rise to cross-border but *intra-firm* transactions. A television company therefore could produce picture tubes in one country, other components in another, cabinets in a third, and assemble the final product in a fourth country. Alternatively, it could procure the production of tubes, components, and cabinets from firms producing in three different countries, and assemble the final product in the fourth. These would result in *inter-firm* cross-border transactions. In either case, because of the different locations of these stages, a certain volume of trade – exports and imports – would occur independent of the export and import of the final product. The tubes, components, and cabinets would all have to cross borders before the final product can be assembled. In this way, global production networks have contributed to the increase in the ratio of world trade to world production. Not all intra-firm or inter-firm transactions within a network may however necessarily involve cross-border movement.

The twin tendencies of “outsourcing” and “off shoring” by transnational firms associated with globalization have been important mediums through which global

networks of production have emerged. Outsourcing refers to the transfer of activities originally undertaken within the firm to other firms in exchange for a payment. Off shoring on the other hand refers to the transfer of activities from an original location to another country. Often the two can go together – for example when a US firm transfers its self-operated call centre services catering to its US customers to an Indian firm operating in India. However, off shoring and outsourcing can happen independently too. The motivating factors behind both for the firm concerned are risk and cost reduction.

The increasing openness of the world's economies under globalization has clearly facilitated the globalization of production. Transnational firms which have been the key drivers of this process and occupy the apex positions in such networks were both pushed and pulled, by the heightened competitive pressures and the greater freedom of operation across the world respectively, to refashion their strategies in this direction.

4.4 THE INCOMPLETENESS AND IMPERFECTIONS IN GLOBALIZATION

Globalization, as described above, does involve increased integration within the world economy such that one can talk of the global economy as being much more than a sum of the individual economies constituting it. Yet one must not make the mistake of assuming that globalization is the conversion of the world into a single economy whereby political borders between nations become entirely irrelevant. The world economy is a fundamentally different entity from national economies and is not equivalent to a gigantic closed national economy even if the movement of capital and commodities within it is completely open. As it happens, even the degree of restrictions on cross-border flows is uneven across different kinds of flows. The movement of people and labour across countries is for instance far more restricted than it is within countries. Even between business firms there are variations in their ability to operate globally. Similarly, each national economy has its own currency, which along with other assets denominated in that currency, serve as money or the means of payment within the sphere of the national economy. Flows across countries however involve the exchange of one nation's money for another in foreign exchange markets. Further, even though there is no world money deriving its sanction as a means of payment from a world government, international transactions do require an international means of payment. This is particularly because the flows between any two countries, and even between one country and the rest of the world, do not always balance. This means that one or a few of the world's money, those that have a general acceptability as a means of payment, have to serve the function of international money.

No matter what the levels of flows within a country, one unit of that country's currency always remains equal to every other unit. But such stability does not characterize the ratios at which currencies exchange for each other (exchange-rates). The levels of cross-border flows themselves influence these values, and at the same time are influenced by them. If in the normal course, the inflows into any country of foreign currency from exports and capital imports exceed the outflows related to imports and capital exports, the value of the country's currency would tend to appreciate – because of the surplus in the supply of foreign currency its price would fall. If the inflows are less than outflows, the opposite would

happen and the country's currency would tend to depreciate. However, these changes in the exchange rate would firstly alter the foreign currency price of the country's exports and the domestic currency price of its imports – depreciation would reduce the export prices and increase the import prices while an appreciation would have the opposite effect. These changes then could impact on the levels of exports and imports by influencing the demand for them. In addition, changes in the exchange rate also alter the relative values of assets whose values are denominated in different currencies. Actual or *expected* changes in a country's exchange rate could thus induce portfolio capital inflows or outflows. Because of these, the very process which draws the different national economies together, namely the freeing of cross-border flows, simultaneously emphasizes their division through its inevitable impact on the ratios in which different national currencies exchange for each other. Indeed, because of the existence of large 'hot money' flows which can flow in and out of countries very quickly, exchange-rate instability has been a recurrent phenomenon associated with Globalization which has resulted in serious economic crises in many a country – the East Asian crisis of 1997 being a prime example.

Underlying many of the differences between national economies and the global economy is one very important difference – associated with a single national economy is a single State whereas the global economy is spread across territories under the jurisdiction of many different nation states. When increased integration of the global economy accompanies the division of the world into different nation states, it also produces a peculiar consequence for the relationship between the State and the economy. Normally, the more closed an individual economy is the greater is the relative ability of its state to control, regulate, and direct economic activity. This is because most of the economic activity and their associated processes, and the individuals and entities involved within them, fall within the area of direct jurisdiction of the State. This proposition would also hold for an integrated global economy if there was a single world state since the global economy does not transact with anyone or anything outside it. But with an integrated global economy and multiple states, the ability of each State to intervene in the economy in fact gets circumscribed by virtue of the fact that each has only a limited jurisdiction. These different nation states could, by coordinating between themselves, try to approximate a single world government but that is never easy given that their individual imperatives may not always coincide and they could even have conflicting interests.

4.5 GLOBALIZATION AND THE ROLE OF THE STATE IN THE ECONOMY

The implication of the above is that once a State chooses to open up its economy it necessarily accepts some limitations on its ability to intervene in the economy, a shrinking of its policy space. More precisely, the State is compelled to act in certain ways and constrained to do so in other ways. Under contemporary Globalization, these restrictions or imperatives manifest themselves in a number of specific ways that are related to the mobility of capital and economic activity within the global economy. Participation in the process of globalization necessarily requires adherence to certain rules of the game. A country for example cannot maintain its tax rates at levels much higher than those prevailing elsewhere in the world because then economic activity would tend to migrate out of that country.

Competition between countries in attracting economic activities to their economies therefore tends to generalize low tax rates (often coupled with tax concessions) across the world, constraining the ability of States to generate resources for financing their expenditures. Similar imperatives also operate in other areas like for instance labour regulations.

The problem of exchange rate instability associated with volatile portfolio capital flows also tends to make state economic policy prisoner to maintaining the “state of confidence”. If those who bring in this capital into any country feel insecure about the returns on the assets held by them and suddenly withdraw their capital from that country, the consequent sharp depreciation of the country’s currency can have crippling effects on its economy. States therefore become disinclined to take any policy measures that make financial investors nervous and tend towards policy measures that inspire confidence in them. In general this works in the direction of conservatism in policy - curbing the State’s ability to regulate and discipline private capital and pushing it towards measures that would promote private profit. To give some examples of how this process works – any significant increase in the corporate income-tax rate in a country is likely to produce an adverse reaction in its stock-market and with falling share prices foreign portfolio investors would be likely to withdraw their capital from that country and its stock-market. This would reinforce the tendency for decline in the stock-market and give rise to depreciation in the country’s currency. The latter in turn would on its own induce flight of capital. The net result would be a self-reinforcing or cumulative process of falling value of shares and currency depreciation. In order to avoid these eventualities, the Government would tend to avoid any such increases in corporate income tax rates. But it might be inclined to do the opposite - reduce corporate tax rates - when stock-markets are down for other reasons.

One of the important general implications of exposure of countries to volatile capital flows is that it makes the maintenance of a low taxes and low public expenditure policy framework the norm adhered to by most governments. If governments cannot mobilize significant resources through taxes then the only way they can sustain large expenditures is by incurring deficits in their budgets. An excess of public expenditures over revenues, what goes by the name of the fiscal deficit, however makes financial investors nervous. In particular it generates expectations that prices of products in that economy will rise rapidly (inflation) and the exchange rate would depreciate. A rise in prices in any economy at a faster rate than in the rest of the world means that the prices of products produced in that country would rise even relative to the prices of the same products produced elsewhere. This could induce buyers in that country to switch to foreign currency using imports and for foreign currency earning exports to fall. The important thing however is not whether this would eventually happen or not. The *expectation* that this will happen is sufficient to make it actually happen much before the effects of a fiscal deficit show up. In order to avoid generation of such expectations governments become committed to a conservative fiscal policy which would limit the fiscal deficit.

Public expenditure however plays an important role in any economy and its development process. A significant part of the necessary development of a country’s physical infrastructure is dependent on public investment because such development does not provide profitable opportunities for private investment. Similarly, there are many important social services like health and education

which need to be publicly provided if all segments of the population are to have reasonable access to them. Such general access of the population to these services is also important from the purely economic point of view because their health and education status also impacts significantly on the productivity of a country's workforce. Fiscal policy, involving both taxation and expenditure, is an important instrument of redistribution of incomes whose importance arises from the fact that the spontaneous operation of the economic system may generate excessive inequalities in society. Fiscal policy and public expenditure are also the means through which governments can influence the aggregate level of demand in an economy, which can often fall below levels necessary to sustain the maximum feasible output or employment in a capitalist economy. Under globalization however, the government's use of fiscal policy for all such purposes tends to get tempered or limited by the commitment to a low taxes and low fiscal deficit policy.

4.6 UNEVENNESS IN DEVELOPMENT AND GLOBALIZATION

The description of globalization as a process of increased global integration facilitated by the increasing openness of economies could fit any kind of world because it does not bring into the picture the differences between the countries participating in that process. The fact however is that the world over which the globalization process has unfolded is one that was and remains divided between advances or developed countries and poorer developing countries. The former constitute the dominant component of the world economy - they produce the major chunk of the world's output; they dominate world trade being both the major exporters as well as importers; the bulk of the capital flows across countries originate in these countries and they are also the principal destination for such flows; a large proportion of the dominant transnational firms belong to these countries; most technological developments take place in these countries; and their currencies are the dominant international currencies. The majority of the world's population on the other hand lives in developing countries.

The inequalities between the world's countries are however not merely economic, but also political and military, and these too have had their impact on the nature and course of the globalization process. Thus for instance, even though in principle bodies like the World Trade Organization (WTO) and the rules enforced by them are the result of multi-lateral agreements, these agreements are a result of a *political* process within which developed countries command a disproportionate influence. In other international institutions like the International Monetary Fund (IMF) and World Bank, which have been active in promoting openness in developing countries and in regulating the global economy, even formal equality between countries does not exist and developed countries command the major share of the voting rights in them. In other words, to whatever extent there is a global structure of governance, it can scarcely be described as a democratic one and is inherently biased against developing countries.

One important aspect of international inequality in a globalized world is that this places countries whose moneys serve as international money and whose do not at different levels within the structure of international transactions. A country like India whose currency is not an international currency, when confronted with a

large deficit in its transactions with the rest of the world, experienced a balance of payments or foreign exchange crisis in 1991 as international borrowings became increasingly difficult and costly. On the other hand, the USA has in recent times been able to live with a very large external deficit because the dollar is the number one international currency. Countries with the surpluses in their external transactions have been willing to finance the US deficit by lending to it, including in the form of investing their foreign exchange reserves in low-yield US government securities. A comparison of the direction of capital flows during the East Asian financial crisis and after the sub-prime crisis in the US would also show up a similar asymmetry between countries. The East Asian countries in 1997 saw a massive outflow of portfolio capital from their economies resulting in a sharp and precipitous decline in the value of their currencies. But the global financial crisis induced the flow of capital towards the US, the very place where the crisis originated, and a strengthening of the dollar. The implication of such iniquities is that the constraining of the policy space for developing country governments as a result of exposure to volatile capital flows is of a higher order than for developed countries.

In this session you read about the globalization and its impact on development and now answer the questions given in the Check Your Progress-1.

Check Your Progress 1

- Note:** a) Answer the following questions in about 50 words.
b) Check your answer with possible answers given at the end of the unit.

- 1) What is meant by the increasing openness of an economy?
-
-
-
-
-
- 2) What are the major components of contemporary Globalization?
-
-
-
-
-
- 3) Why does globalization restrict the scope for state intervention in the economy?
-
-
-
-
-

- 4) Does Globalization mean that nationality of individuals becomes irrelevant to the degree of economic success they achieve?

.....

.....

.....

.....

.....

4.7 GLOBALIZATION AND DEVELOPMENT: THE INTERNATIONAL EXPERIENCE

The process of Globalization has been accompanied by a major shift in the theory underlying development policy in the Third World. In the period after the Second World War, as many developing countries gained their independence from colonial rule, the dominant conception shaping economic policy in the newly liberated countries was that their development required both a high degree of autonomy as well as a key role to be played by the state. Typically, import-substituting industrialization strategies were pursued with varying degrees of emphasis on domestic and export markets. However, from the debt crisis of the early 1980s, institutions like the IMF and the World Bank have pushed Third world governments to open up and liberalize their economies and soon the old view on development came to be decisively replaced by what came to be known as the Washington Consensus. This name is derived from the fact that three institutions which have together played a key role in the making of Globalization – the IMF, the World Bank, and the US Treasury Department - are all headquartered in Washington.

The theory of development promoted by the Washington consensus, also called *neo-liberalism*, argued globalization would promote both rapid growth as well as *convergence* in the world economy. Convergence refers to the process of the per capita incomes of different countries becoming similar to each other, which would happen if developing country per capita incomes were to rise significantly faster than in developed countries. The Washington Concensus was based on the premises that:

- a) the spontaneous working of the market mechanism promoted efficiency and therefore should be interfered with to the minimum;
- b) there are only benefits and no costs to all participating countries from freely transacting with each other and therefore barriers to trade and capital flows are undesirable;
- c) taxes create disincentives for effort and risk-taking, and strong incentives for tax-evasion, and therefore should be maintained at low levels;
- d) fiscal deficits always produce adverse consequences like inflation and exchange-rate instability and therefore should be avoided by maintaining expenditures at levels commensurate with tax revenues;
- e) developing countries would benefit tremendously from adopting the economic policies following from the above premises. It was argued that by opening

themselves to capital inflows, labour surplus developing economies would gain from the flow of capital to them from the capital rich developed countries which also would have various spillover effects. In addition, free trade would also promote the growth of labour-intensive exports from these developing countries, which would in turn induce further growth through the linkages between the exporting sectors and other sectors in the economy. The gains from efficiency and productivity improvement, capital inflows and trade would combine to generate higher growth of both output and employment and also promote greater equality in the distribution of income.

The problem of development, or economic backwardness, is the problem of not all the countries in the world but of the developing countries within them. These countries, as mentioned earlier, were unequally positioned within the global economy. The implicit meaning of the Washington Consensus was that these initial conditions were entirely irrelevant and all countries could follow more or less the same liberal economic policies. In other words there were no grounds for specifically a development policy because the spontaneous operation of the global economic system would be towards leveling out and eliminating the differences between and within countries. The premises underlying the Washington Consensus have never been universally accepted within the economics profession. Many have challenged these on theoretical as well as empirical grounds. However, it has ruled for a long time in the world of policy-making with results, as we shall see, that have not been in conformity with the predictions of the Washington Consensus.

Table 1: Rates of Growth of World Real GDP and per Capita GDP (% per annum)

Item	Period	1950-73	1973-2007
Real GDP		5.1	2.9
Per Capita Real GDP		3.1	1.2

Source: WTO, *World Trade Report 2008*

Aggregate world output growth since the mid-1970s has actually taken place at a significantly slower pace than was the case earlier, and the same is true of even per capita output growth (Table 1). These are not necessarily true for every individual country, India being one of the exceptions, but are generally the case for both developed and developing countries. The principal reason to which this slowing down has usually been attributed is the withdrawal of States after the 1970s from the earlier post-War practice of using fiscal policy for sustaining adequate levels of demand in the economy.

Table 2: Per Capita GDP of Selected Country Groups and their Rates of Growth

	Per Capita GDP in 2005	Annual Growth Rate 1975- 2005
Country group	2005 PPP US\$	Percentage Per Annum
Developing countries	5,282	2.5
Least developed countries	1,499	0.9
Arab States	6,716	0.7

East Asia and the Pacific	6,604	6.1
Latin America and the Caribbean	8,417	0.7
South Asia	3,416	2.6
Sub-Saharan Africa	1,998	-0.5
High income Countries	33,082	2.1

Source: UNDP, *Human Development Report 2008*

Not only has world output growth been slower, inequalities between countries have also increased during Globalization. Many developing countries except those in East and South Asia, including the least developed countries, have been the worst victims of the growth slowdown. Per capita GDPs of many have virtually stagnated and fallen way below the rates of growth in the developed countries (Table 2). The gap between the per capita GDP of these developing countries and those of developed ones has therefore clearly *increased* during the period of Globalization. In the case of the few developing countries showing a faster rate of growth, the base or starting levels of their per capita GDPs were significantly lower than those of developed countries and even many other developing countries. Consequently, even a higher *rate* of growth of the former cannot always prevent the absolute gap between the two increasing. Thus, the per capita GDP in East Asia and South Asia are still only a fifth and a tenth respectively of the levels in high-income countries. Indeed, if we compare the differences between the per capita GDP at constant prices of the US, advanced Western Europe, and Japan on the one hand and individual developing countries on the other, they were almost without exception *greater* in 2006 than was the case in 1973. Convergence therefore clearly has not happened.

The promise of export-led growth has proved elusive for developing economies. As Table 3 shows, though at first sight it might appear that the share of developing countries in world exports has increased particularly since 1990, this is basically a result of the rising share of East and South-East Asia rather than being representative of the general experience of developing countries. In other words, the distribution of developing country exports has become increasingly concentrated in East Asia with China alone exporting more than any developing country region other than East Asia. A similar story characterizes the exports of services, which have been increasing their relative importance in world exports during Globalization, the only difference being that in this case India too is amongst the developing countries emerging as a major exporter. Developing countries have increased their share in world services exports from 18.34 % in 1980 to 25.41 % in 2007. This was however accompanied by East, South-East and South Asia increasing their combined share in developing country services exports from 38.5% to 67%. Indeed, one of the apparent paradoxes of globalization is that both in terms of growth as well as export performance, the developing countries of Asia which have traditionally had greater state involvement in the economy have fared better than developing countries in Latin America and Africa who liberalized earlier and to a greater extent.

Table 3: Share of Developing Countries in World Merchandise Exports (Percentage)

Country Group	1980	1990	2000	2007
All Developing Countries	29.40	24.25	31.85	37.52
Africa	5.86	3.08	2.37	2.87
Americas	5.48	4.13	5.65	5.53
West Asia	9.29	3.38	3.64	5.08
South Asia	1.29	1.35	1.44	1.90
East Asia	3.75	8.06	12.00	15.81
<i>China</i>	<i>0.89</i>	<i>1.78</i>	<i>3.86</i>	<i>8.81</i>
South-East Asia	3.64	4.18	6.69	6.26
Developing Countries Excluding East and S-E Asia	22.01	12.01	13.16	15.45

Source: UNCTAD, *Handbook of Statistics*, 2008

Globalization has also been accompanied by a more or less across the board sharp rise in inequalities within countries, both developed and developing. The richer sections in most countries have experienced an enormous increase in wealth and income while those at the bottom have been bypassed. Consequently, even in the few developing countries with relatively faster rates of growth of per capita GDP, the positive impacts of that growth on the lives and standards of living of the poorer sections of their societies has been less spectacular and at times this impact has even been adverse. A large part of the world's population therefore continues to live in poverty. 40% of people in the world (2.6 billion) have incomes below two dollars a day and they account for barely 5% of global income. On the other hand, the richest 20% of people in the world have a share of 75% in world income.

The opening up of developing countries to volatile capital flows has been accompanied by several episodes of currency crises in these countries. Paradoxically, such problems have been a price paid without any corresponding gain because at least in the last decade or so, the perverse phenomenon observed is that the direction of capital flows has been from developing countries towards developed countries rather than the other way around. Of course not all developed countries are net importers of capital and nor are all developing ones capital exporters. But together developing countries have been exporting more capital to the developed countries than they have been importing from them. Moreover, much of the former flow takes the form of developing countries holding their foreign exchange reserves in the form of liquid assets like US Government securities with extremely low returns, while developed country capital invested in developing countries earn significantly higher rates of return.

In this session you read about the globalization and its impact on economic growth and development and now answer the questions given in the Check Your Progress-2.

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

1) Has Globalization been accompanied by convergence between countries?

.....

.....

.....

.....

.....

2) What is the unevenness in the growth and trade performance of developing countries under Globalization?

.....

.....

.....

.....

4.8 GLOBALIZATION AND INDIAN DEVELOPMENT

India's entry into the globalization process was somewhat later than that of most developing countries. It was only with the liberalization measures initiated from 1991 onwards. Though there was some liberalization in the 1980s too it was relatively limited and was accompanied by other policy measures that were uncharacteristic of the globalization era. Trade and FDI liberalization in the 1980s was fairly selective and much of the extensive system of Government controls survived till 1991. The opening up to volatile capital flows in (Foreign Institutional Investment) happened only in the 1990s. So did the restraint on public expenditure, the rapid growth of which was a characteristic feature of the decade of the 1980s.

India's development experience prior to 1991 had not been one of spectacular successes but rather of extremely slow progress. Conditions had improved somewhat compared to the state of affairs during the colonial era but the vast mass of India's populace had remained deprived of even the most basic needs. GDP and per capita GDP growth rates after independence had been significantly higher than in the first 50 years of the 20th century. But the incomes, food and nutrition intake, health status, levels of education, housing conditions, etc. of the average Indian were still exceptionally poor in 1991. The majority of Indians still lived in rural areas and the majority of the workforce was dependent on agriculture for its livelihood. Did participation in the globalization process bring about significant changes in this picture, and if so, of what kind?

According to Goldman's "Sach Economic Research Report on Global Economies" released in 2007, India has the following advantages compared with other economies.

- i) India will challenge the Global Economic Order in the next 15 years.
- ii) By 2050 it will be the second largest economy after China overtaking USA.
- iii) India is the fourth largest GDP in the world in terms of purchasing power.
- iv) India is the third fastest growing economy in the world after China and Vietnam.
- v) Received 4.5 billion as FDI.
- vi) Service sector contributes around 55 percent of GDP. The share of agriculture is around 16 percent and manufacture in 16 percent in 2005-06. This is a character of a development.
- vii) Expected GDP growth rate is 10 percent shortly.
- viii) India has \$262 billion as Foreign Exchange Reserve as on today. India had just \$1 billion as foreign exchange reserve when it opened its economy in the year 1991.

4.8.1 Export and Import

As regards its level of integration into the global economy, the standard indicators of this have clearly exhibited an upward trend since 1991, even if the heights attained by them so far are not as high as in other countries. The levels of India's imports and exports of goods and services as a ratio of its GDP has increased sharply implying that a much larger part of the economy is involved in cross-border transactions.

Table 4: India's External Trade as a Percentage of GDP

Year	Merchandise Exports			Merchandise Imports			Services	
	Oil	Non-oil	Total	Oil	Non-oil	Total	Exports	Imports
1990-91	0.16	5.55	5.72	1.90	5.68	7.58	1.43	1.12
1997-98	0.09	8.43	8.52	1.99	8.11	10.10	2.30	1.97
2002-03	0.51	9.89	10.39	3.48	8.63	12.11	4.09	3.37
2007-08	2.42	11.47	13.89	6.79	14.64	21.43	7.66	4.46

Source: RBI, *Handbook of Statistics on the Indian Economy*

In goods trade, import levels have tended to increase more than exports and India's share in world exports still remains very low. Despite the growth of newer exports different from the items like textiles and garments, leather products, and diamonds which traditionally dominated Indian exports, India's merchandise trade deficit has ballooned in periods of relatively higher growth and in 2008-09 stood at nearly 10% of India's GDP. Not all of this has been on account of oil imports, since the non-oil deficit alone in 2007-08 was 3.17% of GDP, larger than the aggregate deficit to GDP ratio at the time of the 1991 foreign exchange crisis. The trend in India's merchandise trade essentially reflects the fact that the manufacturing sector in the country in general has not been very competitive in the world market. Poor infrastructure and low productivity have meant that costs of industrial production in India tend to be high even with extremely low wages. India has however done relatively better in services exports, primarily in IT and IT-enabled services in which India has become the most important exporter amongst

developing countries. The ratio of services exports to total merchandise and service exports in the Indian case (36%) is significantly higher than the world average of around 20%.

Capital flows into India have also increased significantly after liberalization, though even here it has been a relatively more attractive developing country destination for portfolio flows than for FDI. It is because of these capital inflows that India managed to accumulate large foreign exchange reserves even though in most years its foreign currency expenditures have exceeded its earnings. While India has escaped any major currency crisis, exchange rate instability has been a problem. There have been periods of both sharp appreciation as well as depreciation of the rupee. Of late, there is also an increasing trend of Indian private capital being investing abroad mainly by companies but also by mutual funds.

4.8.2 Growth and its Composition

As regards the growth of aggregate output, as indicated earlier, Indian growth after 1975 was faster than in the two and a half decades before that. This transition of India to a higher growth path actually happened around 1980, which was however at least a decade before its own real participation in globalization began. Between 1950 and 1980, India's GDP growth rate averaged around 3-3.5% while after 1980 it was around 5.5-6%. In other words, the acceleration in growth pre-dates the extensive liberalization of the 1990s subsequent to which the trend was simply maintained with no significant further acceleration. A spurt in growth since 2002-03 from when GDP growth rates reached the 8-9% level has been presumed to mark a further upward shift in India's growth trend. However, the recent slowing down after the global economic crisis has put a question mark on this. From the viewpoint of development however, more important than the rates of growth has been the nature of growth under globalization.

Macro Economic Performance in Post 1990 Years

Year	Real GDP Growth	Year	Real GDP Growth
1991	.96	1999	6.5
1992	2.3	2000	6.1
1993	1.5	2001	4.0
1994	5.9	2002	6.2
1995	7.3	2003	5.5
1996	7.3	2004	8.0
1997	7.8		
1998	6.5		

Source: Kulkarni, KG "Effect of Globalization on India's economic Growth", www.reserchindia.org/effectsofglobalizationonindia.doc.

India's growth in recent times has been dominated by the services sector, which has been the fastest growing sector and contributed the major part of the increase in output. This reflects the facts that in both domestic and external demand, the proportion of services has been increasing. Industrial growth has tended to fluctuate

as it used to in the past too and the industrial sector's share in output has tended to stagnate at a level far below that indicating complete industrialization of a country. The agricultural sector on the other hand has been the worst affected with agricultural growth rates being on an average lower than in the pre-liberalization era. In fact it is now officially acknowledged that India experienced an agrarian crisis since the mid-1990s. The main factors behind this have been the relative compression of rural development expenditures, the squeezing out of the agricultural sector in bank credit, and the increased exposure of the agricultural sector to volatility in global prices. These are the factors behind the spate of farmer suicides in India which continues unabated. This growth pattern marked by a robust growth of services at one end, a distressed agriculture on the other, and unstable industry in between, both produces as well as reflects what has come to be called "non-inclusive" growth.

4.8.3 Employment

The rapidly growing services sector in India has proved incapable of generating significant employment. In fact, just about a quarter of India's workforce is employed in this sector which accounts for over 55% of India's Net Domestic Product. Agriculture, whose share in Net Domestic Product has fallen below 20% still employs 57% of the workforce but simply cannot absorb any more. Industrial employment too has grown slowly. Within the industrial sector, employment in the organized sector has been falling and it is in unorganized industry that the incremental industrial workforce has been absorbed.

One implication of all of these has been that employment growth in India has been extremely slow in the post-liberalization period, which is a matter of concern particularly since there was already an existing backlog of unemployment. Employment growth has been particularly poor in the more rapidly growing segments of the economy. Thus while the organized sector has steadily increased its share in output from about 36% in 1991 to 43% by 2007-08, employment in that sector after initially increasing slowly fell after the late 1990s (Table 5) so that in 2006 it was the same as in 1991 even though the total labour-force had grown in between. In 1993-94, when the labour-force in India was 334 million, only 27.4 million or 8.1% were employed in the organized sector. By 2004-05, the labour-force in India had increased by another 85 million to reach a level of nearly 420 million. Organized sector employment over the same period however fell by nearly a million to 26.5 million which was just 6.4% of the labour-force. A large part of the decline in organized sector employment has been on account of the fall in public sector employment, but even private sector employment growth has been very insignificant.

Table 5: Organized Sector Employment (in Lakhs)

Sector	1991	1998	2006
Public Sector	190.58	194.18	181.88
Private Sector	76.77	87.48	88.05
Total	267.35	281.66	269.93

Source: *Economic Survey*

The implication of this is that the large majority of Indians either cannot find work or have to find low-income employment in the less dynamic segments of the economy. In 2004-05, nearly 34.74 million or 8.28% of the labour force was unemployed (on a Current Daily Status Basis), up from 20.27 million or 6.06% in 1993-94. However, in the absence of any social security mechanism, people in India cannot afford to remain unemployed for long and the sheer requirement of survival forces them into a variety of extremely low-paying work in the unorganized sector. But even the fortunate few entering the organized sector are not necessarily finding high-wage work. While some segments of the white-collar organized sector workforce have come to enjoy extremely high salaries after liberalization, this is not the case for everybody employed in that sector. In fact real wages of even the organized sector industrial workers have tended to stagnate after liberalization.

4.8.4 Poverty and Inequality

As per official estimates by the Planning Commission, poverty in India has come down after liberalization. What this means is that the *proportion* of the population with income levels below a stipulated poverty line has come down. This statement however needs to be further qualified in a number of ways.

Firstly, the pace of poverty reduction in the post-liberalization period has been slower than before. Thus, in the fourteen year period between 1973-74 and 1987-88, the proportion of those below the poverty line in the total population came down by 16 percentage points from 54.9% to 38.9%. In the longer seventeen year period since then, the reduction was to a smaller extent of 12.4 percentage points.

Table 6: Poverty Ratios and Number of Poor in India

	1973-74	1977-78	1983	1987-88	1993-94	2004-05
Rural (%)	56.4	53.1	45.7	39.1	37.3	28.3
Urban (%)	49	45.2	40.8	38.2	32.4	25.7
All India	54.9	51.3	44.5	38.9	36	27.5
Number (Million)	321	329	323	307	320	302

Source: *Economic Survey*

Secondly, the poverty line is a fixed one that does not change with the level of the per capita income. The only adjustment that is made over time is for the increase in prices. The poverty line today is therefore no different than it was in 1973-74, when real per capita income in India was a third of its current level, and the poverty ratio is therefore only a measure of the population below some absolute level of income. A reduction of poverty therefore can be accompanied by an increasing gap between the top and the bottom sections of the population.

Thirdly, the poverty line in India is pegged at a very low level and some consider destitution line to be a more appropriate description for it. In 2004-05, the all-India poverty line for rural areas was Rs. 356.30 per capita per month and Rs. 538.60 for urban areas. The significance of this lies in the fact that there may be very large variations in the income levels of even those above this line and one cannot treat them all as non-poor. Indeed, the National Commission on Enterprises in the Unorganized Sector (NCEUS) estimated that while 27% of the Indian

population in 2004-05 was below the official poverty line, as many as 77% of people lived on less than Rs. 20 a day.

Fourthly, the poverty line was first arrived at using a minimum nutrition norm – it was fixed at the minimum income-level at which the consumption of food was found to be adequate for meeting that norm. Since then however, consumption patterns have changed and the nutrition-intake associated with the same level of real income (income adjusted for price changes) is lower. It has therefore been argued by some that if a poverty line for today was to be constructed on the basis of the same nutritional norm, it would be higher than the official poverty line and more than 70% of the population would be below it. In fact, the average expenditure by Indians on foodgrains in the recent past, when the economy was growing at its fastest ever rates, was not only lower than it was at the beginning of the 1990s and way back in the early 1960s in some years it was at a level comparable to what it was during the two successive droughts in the mid-1960s (Figure 1). The expenditure story is also supported by the data on per capita availability of foodgrains which averaged 461.08 grams per day in 1961-65, 480.26 in 1987-91, and just 442.16 grams in 2003-07. These would be amongst the lowest levels of food consumption in the world.

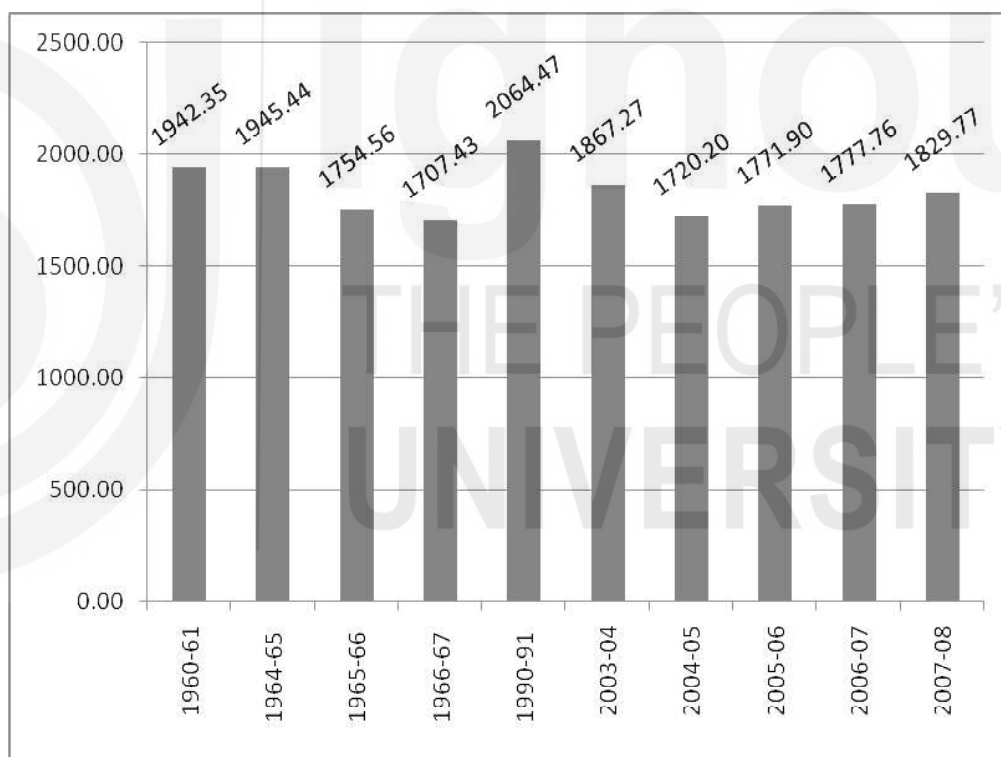


Figure 1: Per Capita Expenditure on Foodgrains at 1999-00 prices (Values in Rupees)

Source: Computed from CSO, National Accounts Statistics, 2009 and Back Series

All the above point towards the undisputed fact that income inequalities in India have grown sharply after 1991. Inequalities can however increase even when everyone experiences rising incomes but the pace of increase of the richer sections is greater. The nature of non-inclusive Indian growth under liberalization has however been one where the large majority which in any case had low incomes has experienced stagnating incomes while a small well-off minority has moved ahead rapidly by cornering the bulk of the benefits of growth. It is this pattern of distribution of the benefits of growth that explains the pattern of demand growth

in India. In a country where food intake levels and the penetration of manufactured consumer goods are very low, with a general increase in incomes one should see an absolute rise in expenditure on food and also a rise in the share of expenditure on manufactured goods before the consumption pattern shifts towards services. That we are witnessing instead not the first two but only a rising share of services in Indian consumption demand has to reflect the fact that income increases are concentrated at the upper end of the income distribution spectrum, where the demand for food and manufactured consumption goods are relatively saturated.

4.8.5 Growth of Private Sector

Moreover, the problem is not merely one of increasing inter-personal inequality. A significant part of the recent high growth of the Indian economy has been based on the rapid growth of the private corporate sector. This is indicated by the rapid rise in its share in GDP of the savings of the private corporate sector – that part of the profits of companies which is not paid out either as taxes or as dividends (Figure 2). It has grown many times faster than aggregate GDP – as compared to a 71% rise in the nominal value of the latter between 2003-04 and 2007-08, corporate savings increased by over 250%! Consequently, the share of corporate savings in GDP has more than doubled, from just above 4% in 2003-04 to 8.4% in 2007-08. Income-tax data on the other hand indicate that total private corporate taxable profits in 2007-08 touched nearly 14% of GDP, and over 50% of this was accounted for by less than 200 companies.

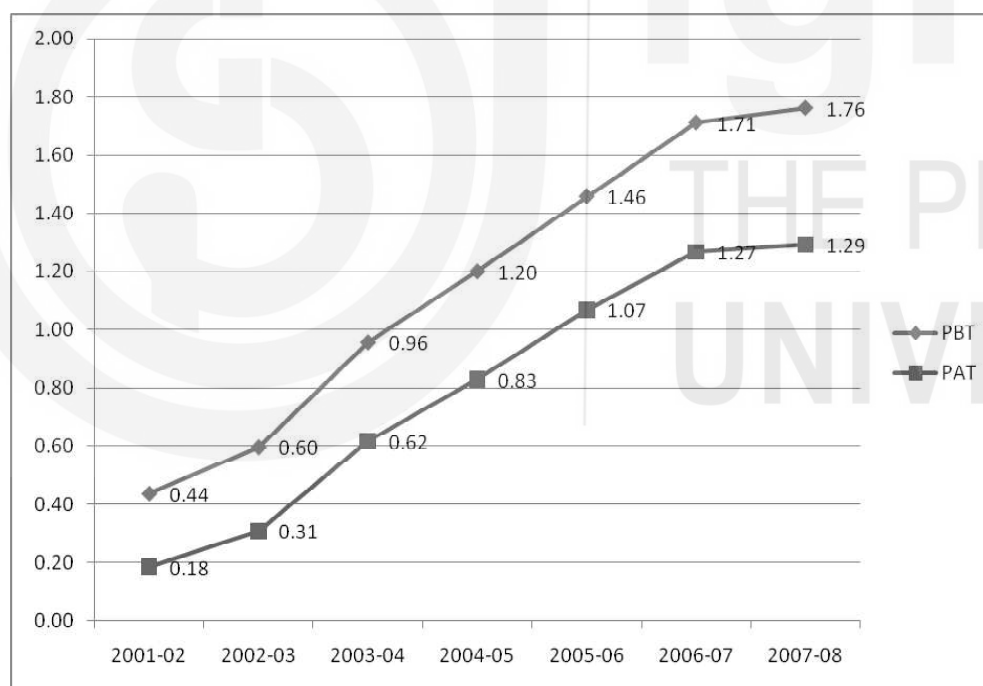


Figure 2: Gross Savings of the Private Corporate Sector (Joint-Stock Companies) as a Percentage of GDP at Market Prices

Source: Central Statistical Organisation, *National Accounts Statistics, 2009 and Back Series*

Not only are the incomes of very few linked to corporate growth, this period also witnessed unbalanced growth of incomes *within* the corporate sector. As Figure 3 starkly brings out the profits of private corporate sector companies have been growing much more rapidly than the wages and salaries being paid by them to their employees (the figure is based on a sample of companies which account for 70-80% of the corporate sector). From a level where profits before taxes were less than half the value of wages and salaries 2001-02, they have climbed in the

short space of a few years to become nearly double. Underlying this is the combination of the corporate sector holding employment at relatively low levels even while expanding output and the low wages and salaries of many employees even in the corporate sector.

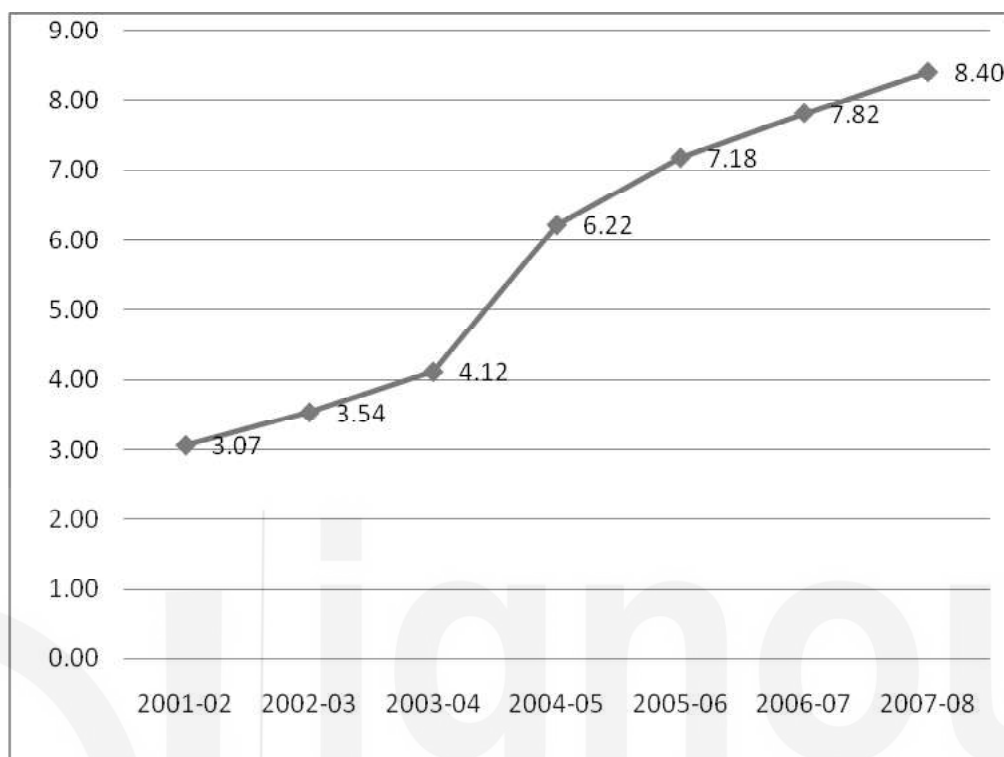


Figure 3: Ratio of Profit Before Tax (PAT) and Profit After Tax (PAT) to Wages and Salaries in Private Sector Companies

4.8.6 Growing Rural-Urban Divide

Another dimension of growing inequality in India has been the growing divide between urban and rural India. Per capita incomes in rural India, where more than 70% of the population still resides, have always been significantly lower than in urban India. But a very sharp decline in this ratio happened immediately after liberalization.

Table 7: Share of Rural India in Population and Net Domestic Product and Rural/Urban Per Capita NDP

Year	Share (%) of Rural India in:		Rural Per Capita NDP as % of Urban
	Population	NDP	
1970-71	80.22	62.35	40.88
1980-81	76.88	58.91	43.11
1993-94	73.51	54.27	42.76
1999-00	72.53	48.3	35.39

Source: CSO, National Accounts Statistics

The relative decline of the rural sector also exhibits itself in the sharp decline in the ratio of per capita consumption expenditure in rural India relative to urban levels (Figure 4). The average Indian living in the countryside now consumes

just about half of what his/her urban counterpart consumes, as compared to over 70% in 1977-78.

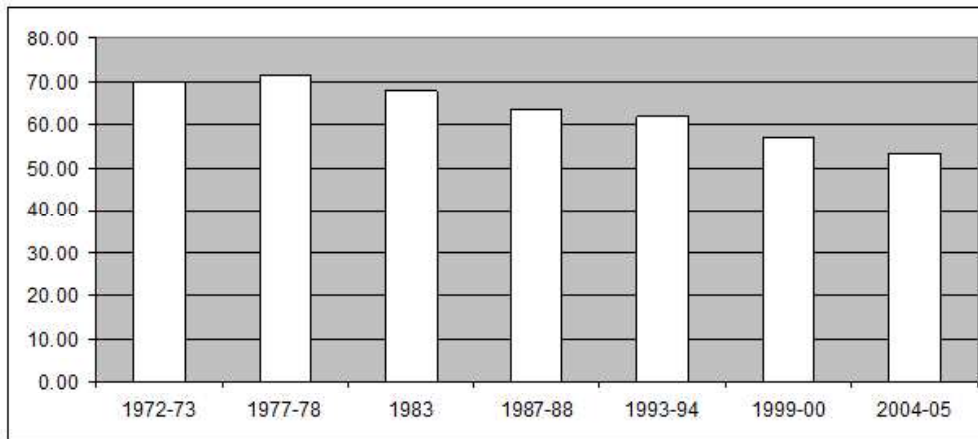


Figure 4: Average Per Capita Expenditure: Rural India as a Percentage of Urban India.

Source: NSSO Report No. 508: Levels and Patterns of Consumer Expenditure, 2004-05

4.8.7 Public Expenditure Stagnation

At the root of many of the problems confronting Indian development has been the inability to increase public expenditure levels, a direct consequence of the globalization of the Indian economy. As shown in Table 8, the ratio of public expenditure to GDP, which was in any case amongst the lowest in the world, has stagnated at levels attained before liberalization. In fact even during the recent period of very high growth, the period in which tax receipts to GDP ratios were the best, rather than an expansion of expenditure what one saw was a reduction of the fiscal deficit – to which the Government had committed itself through the FRBM Act.

Table 8: Receipts and Expenditure of Central and State Governments as a Percentage of GDP

Year	Total Revenue Receipts	Tax Receipts	Expenditure
1990-91	18.6	15.4	28.7
1997-98	17.8	14.3	25.8
2002-03	18.8	15	28.9
2007-08	22.3	18.5	27.9

Source: Economic Survey

One implication of the restraint on public expenditure has been that investment in the development of the country's infrastructure, including rural infrastructure, has suffered. This in turn has had adverse consequences for agriculture and rural development, industrial growth, the competitiveness of the Indian economy, and employment. Social sectors like health and education have also been badly hit. Even as public expenditure on these has stagnated, people have to spend more out of their own pockets for health and education services (Table 9).

Table 9: Government and Private Expenditure on Health and Education as a Percentage of GDP

Year	Government Expenditure (Central & State Governments)			Private Final Consumption Expenditure		
	Health	Education	Total	Health	Education	Total
1990-91	1.2	3.1	4.30	1.68	1.11	2.79
1997-98	1.1	2.8	3.90	1.95	1.11	3.06
2002-03	1.24	2.74	3.98	3.31	1.39	4.69
2007-08	1.41	2.87	4.28	3.22	1.33	4.55

Source: *Economic Survey and CSO, National Accounts Statistics*

4.8.8 The Indian Experience with Globalization: Growth sans Development?

How should then one describe India's experience with Globalization? India does not appear to belong to that group of developing countries where the pace of aggregate growth has been adversely affected by globalization. Yet, even with its significantly higher growth performance it has like other developing countries found it difficult to address its formidable development challenge as this growth has not positively touched the lives of the majority of Indians. It is this duality that underlies the controversy about the impact of globalization on India. Those who emphasize that growth is a necessary condition for eliminating backwardness and believe growth has automatic trickle-down effects highlight the growth performance of India under liberalization. Others point out the limited impact of this growth on general well-being. This divide is deeper than might first appear. That Indian growth under liberalization has not been inclusive in nature is now officially accepted and transforming that is often highlighted as a major policy objective. The question however is, can the growth that has happened and its lack of inclusiveness be separated from each other? If the government has to keep taxes very low and restrict its spending, then it may be able to do precious little to change the economic outcomes spontaneously emerging except by enticing private capital. But if it is to depend on profit oriented domestic and foreign private capital to deliver growth by enticing it to invest, and keep Indian financial markets attractive to foreign portfolio investors, then it has to keep its taxes and expenditure low, and instead offer further concessions. This is a vicious circle from which escape is very difficult unless the policy space is enlarged and used to alter the pattern of growth. That however may not be possible without some restraints on the extent of integration with the global economy.

In this session you read about the globalization and its impact on various indicators of development and now answer the questions given in the Check Your Progress-3.

Check Your Progress 3

Note: a) Answer the following questions in about 50 words.

b) Check your answer with possible answers given at the end of the unit.

- 1) What is the asymmetry between the shares of India's organized sector in output and employment?

2) Is poverty in India disappearing?

3) In what sense has Indian growth after liberalization been non-inclusive growth?

4.9 LET US SUM UP

The period since the mid-1970s is what is usually called the period of Globalization or increasing integration between the world's economies. Developing countries also become a part of this process though they entered it with levels of economic attainment significantly lower than those of developed countries. Global economic performance under Globalization, measured in terms of both aggregate output growth as well in terms of meeting the challenge of development, has however proved to be much less impressive than the promise accompanying its rise as the dominant official ideology in the world. The central factor responsible for this has been the fact that both the ideology and the reality of Globalization have hamstrung governments from taking measures necessary for improved performance. India, which has been a late entrant into the globalization process, is an example of the fact that even if a developing country may be lucky to escape the fate of depressed growth it still cannot easily deliver development to its people. As the world ponders over the future of Globalization in the wake of the worst crisis since the Great Depression, which is itself a fall-out of the nature of contemporary Globalization, the development dimension of this question also needs to be focused on.

4.10 REFERENCES AND SUGGESTED READINGS

Bhagwati, Jagdish (2004), *In Defence of Globalization*, Oxford University Press.

Chandrasekhar, C.P. and Jayati Ghosh (2002): *The Market That Failed: Neoliberal*

Economic Reforms in India, Second Edition, Left Word Books, New Delhi

Government of India, Ministry of Finance, *Economic Survey* (Various Issues).

Government of India, Planning Commission (2006), *Towards Faster and More Inclusive Growth: An Approach to the 11th Five Year Plan*.

Hanumantha Rao, C.H. (2009), "Inclusive Growth: Recent Experience and Challenges Ahead", *Economic and Political Weekly*, Vol 44 No. 13 March 28 - April 03

Kannan, K.P. and G. Raveendran (2009), "Growth Sans Employment: A Quarter century of Jobless Growth in India's Organized Manufacturing", *Economic and Political Weekly*, Vol. 44 No. 10 March 07 - March 13

Kohli, Atul (2006), "Politics of Economic Growth in India, 1980-2005" Parts I and II, *Economic and Political Weekly*, Vol 41 No. 13 April 01 - April 07, and Vol 41 No. 14 April 08 - April 14

Nayyar, Deepak (2008), *Liberalization and Development*, Oxford University Press, New Delhi.

Nayyar, Deepak (2008), *Trade and Globalization*, Oxford University Press, New Delhi.

Papola, T.S. (2005): "Emerging Structure of the Indian Economy: Implications of Growing Inter-Sectoral Imbalances, Presidential Address, 88th Conference of the Indian Economic Association, Andhra University, Vishakhapatnam (<http://isid.dev.nic>)

Patnaik, Utsa (2004), "The Republic of Hunger", in *Social Scientist*, Vol. 32, No. 9/10 (Sep. - Oct.)

Sen, Sunanda (2007), *Globalisation and Development*, National Book Trust, New Delhi.

Sengupta, Arjun, K.P. Kannan, and G. Raveendran (2008), "India's Common People: Who Are They, How Many Are They and How Do They Live?", *Economic and Political Weekly*, Vol 43 No. 11 March 15 - March 21.

Stiglitz, Joseph (2003), *Globalization and Its Discontents*, W.W. Norton and Company.

UNCTAD, *Trade and Development Report* (Various Issues)

UNDP, *Human Development Report* (Various Issues).

World Bank, *World Development Report* (various Issues)

4.11 CHECK YOUR PROGRESS-POSSIBLE ANSWERS

Check Your Progress 1

- 1) What is meant by the increasing openness of an economy?

An economy becomes more open when barriers to transactions across its borders are reduced. Specifically, increasing openness signifies the freeing

of inflows of products and capital into the economy from government controls and restraints.

2) What are the major components of contemporary Globalization?

The globalization of finance, markets, and production are the three main components of contemporary Globalization. The first refers to the integration of the financial markets of countries and the large movements of portfolio capital between them, the second to the integration of their product markets, and the third to the emergence of internally integrated and coordinated networks of production spread across countries.

3) Why does Globalization restrict the scope for State intervention in the economy?

In general, open economies are less autonomous and therefore less amenable to direction by their respective States. In contemporary Globalization specifically, the possibility of the migration of economic activity and capital to other countries restraints governments from intervening in ways disliked by private capital.

4) Does Globalization mean that nationality of individuals becomes irrelevant to the degree of economic success they achieve?

Since conditions obtaining in different countries are not the same, and the movement of people across borders remains highly restricted, it cannot be said that in the competition for economic success everyone starts with equally favourable or unfavourable initial circumstances irrespective of nationality.

Check Your Progress 2

1) Has Globalization been accompanied by convergence between countries?

Globalization has not been accompanied by convergence between countries. Per capita incomes of many developing countries have grown slower than those of developed countries in the last three decades. Even in the case of developing countries with higher rates of growth, the gap between them and the developed countries continues to be immense.

2) What is the unevenness in the growth and trade performance of developing countries under Globalization?

Most developing countries in Latin America and Africa, and also West Asia, have relatively lost out in growth and trade during the era of Globalization. Some developing countries in East and South Asia have however done better, not only growing relatively faster than the rest of the world but also increasing their share in world exports.

Check Your Progress 3

1) What is the asymmetry between the shares of India's organized sector in output and employment?

The asymmetry between the shares of India's organized sector in output and employment is that while its output growth is above average and its share in output is increasing, its share in employment is falling with as a result of stagnating levels of employment in that sector.

2) Is poverty in India disappearing?

Poverty in India cannot be said to be disappearing because the number of people below the poverty line are large and not declining rapidly and also because poverty understood in even a slightly broader sense continues to plague the overwhelming majority of Indians.

3) In what sense has Indian growth after liberalization been non-inclusive growth?

Indian growth after liberalization has been non-inclusive because the benefits of that growth have been heavily concentrated in a narrow spectrum of the population. For the rest, this growth has failed to provide adequate opportunities for employment and rising incomes so that the economic conditions of the majority have stagnated or worsened and not merely grown more slowly.



MDV-109: Development in India – An Overview

BLOCK 1 DEVELOPMENT INITIATIVES AND PLANNING	
UNIT 1	Pre-Independent Development Initiatives
UNIT 2	Planning and Development Initiatives: Pre Liberalization Period
UNIT 3	Planning and Development Initiatives: Post Liberalization Period
UNIT 4	Globalization and Development in India
BLOCK 2 RURAL DEVELOPMENT IN INDIA	
UNIT 1	Rural Development : An Overview
UNIT 2	Agriculture and Rural Economy
UNIT 3	Rural Industrialization
UNIT 4	Rural Cooperatives and Banking
UNIT 5	Rural Poverty Unemployment and Development Interventions
BLOCK 3 URBAN DEVELOPMENT IN INDIA	
UNIT 1	Urbanization in India – An Overview
UNIT 2	Migration and Urban Problems
UNIT 3	Urban Poverty Unemployment and Development Interventions
BLOCK 4 SOCIAL DEVELOPMENT	
UNIT 1	Development of Scheduled Castes
UNIT 2	Development of Scheduled Tribes
UNIT 3	Youth Development
BLOCK 5 ROLE OF PUBLIC, PRIVATE AND SERVICE SECTORS IN DEVELOPMENT	
UNIT 1	Role of Public Sector in Development
UNIT 2	Role of Private/Corporate Sector in Development
UNIT 3	Development of Service Sector
UNIT 4	Role of Unorganised Sector in Development

MPDD/IGNOU/P.O. 1K/December, 2018



ignou
THE PEOPLE'S
UNIVERSITY

ISBN : 978-93-88498-14-2