

# **BASIC FEATURES OF INDIAN ECONOMY**

## **Some key points to remember**

**After Independence**, Government of India introduced the policy of five year plans.

**Indian planning commission** was formed in the month of **March 1950**.

**Planning era of India** started since **1st April 1951**. The time period of Indian five year plans were not determined by the general rule of 5 years principle. Here we mention the time period of different plans of India.

**First five year plan: from 1951 to 1956**

Second five year plan: from 1956 to 1961

Third five year plan: from 1961 to 1966

**Plan holiday: Annual Plans :from 1966 to 1969**

Fourth five year plan: from 1969 to 1974

Fifth five year plan: from 1974 to 1978

**Rolling plan: from 1970 to 1980**

Sixth five year plan: from 1980 to 1985

Seventh five year plan: from 1985 to 1990

Eighth five year plan from : 1992 to 1997

And so on..

12th five year plan: from 2012 to 2017

## **Some important concepts**

**Primary sector** includes agriculture, forestry, fisheries, hunting, mining and quarrying etc.

**Secondary sector** includes industry, construction, electricity generation, gas, water supply etc.

**Tertiary sector** includes trade, transport, Banking and insurance communication, social and personal services

## **Definition of underdeveloped economy**

According to the planning commission of India the country in which there exist unemployed or underemployed human resources along with unused or under reduced natural resources is called underdeveloped economy. It is seen that the per capita real income in these countries is low compared with the per capita real incomes of the developed countries like USA ,Canada, Australia and Western Europe.

## Characteristics of Indian economy as an underdeveloped economy

1. Low per capita Income
2. Predominance of agriculture
3. Too much dependence on primary sector
4. Inequality in Income and wealth distribution
5. Heavy population pressure
6. Existence of both unemployment and underemployment
7. Low rate of savings and investment
8. Lack of appropriate expansion of mechanical and technical education particularly in agriculture, village level cottage and small scale industries.
9. Very low percentage of technical educated persons compared to total population
10. Existence of hostile attitude (like religion, cast, divine power minded attitude of the Indian people) and institution against development.

## Meaning of developing economy

A country in which rate of capital formation is low compared to its rate of growth of population and natural resources and for these the country try to go through the path of development is called developing economy or developing country.

## Characteristics of Indian economy as a developing economy:

Indian economy is moving gradually on the path of development. This change can be divided into two groups:

- A: Quantitative change
- B: Structural change

### A: QUANTITATIVE CHANGE

#### 1. Increase in national income:

Annual growth rate of net national product (national income) of India during first five decades of planning was 4.3% and in 2016-17 it is 7.1 %.

#### 2. Increase in per capita income

Annual growth rate of per capita net national product of India (at fix prices) during the first 50 years of planning (that is from 1950- 51 to 1999 -2000) was 2% and in 2016-17 it is 5.7 %.

### 3. Increase in agricultural and Industrial output

Before independence growth rate of agricultural output was 0.3% and in 2016-17 it is 4.9% on the other hand growth rate of industrial output before independence was 2% and in 2016-17 it is 5.2%.

### B: QUALITATIVE OR STRUCTURAL CHANGES

#### 1. Share in GDP(at current price) in % form

The contribution of each sector towards the national income of a country is called sectoral composition of national income.

NAME OF THE SECTORS	1950-51	2016-17
PRIMARY	55.4%	17.32%
SECONDARY	15%	29.02%
TERTIARY	29.6%	53.66%

#### 2. Change in occupational structure (% of work force engaged)

The sector-wise distribution of the population according to their occupation is known as occupational structure of a country.

NAME OF THE SECTORS	1951	2016	REMARKS
PRIMARY	72.7%	53.2%	%of work force has declined by(72.7-53.2) or 19.5%
SECONDARY	10%	21.5%	%of work force has increased by(21.5-10) or 11.5%
TERTIARY	17.3%	25.3%	%of work force has increased by(25.3-17.3)or 8%

### 3. Increase in saving and investment

	1950-51	2016
Gross domestic savings of India as a % of GDP	9.5%	28.9%
Gross domestic investment of India as a % of GDP	9.3%	30.0%

#### **4. Development of basic and capital goods Industry:**

Heavy industries like iron and steel industry, rail engine, heavy electrical equipment, heavy chemical, nitrogen fertilizers, aluminium, petroleum product have been established.

#### **5. Expansion of economic and social capital**

For example development in irrigation facilities, road, rail, air and water transport, production of electricity etc.

#### **6. Expansion of human capital**

This is nothing but the development in the field of health (different types of hospitals and charitable clinics have been established) education (different types of school, college, university and different branch of science has been established) and general services. Adult literacy rate has increased.

#### **7. Expansion of Banking and other financial sector**

Scarcity of loan for agriculture, small scale industries, transportation are reduced to a great extent due to bank nationalisation and establishment of different institution to give credit. The money market and capital market have also developed a lot during the planning period.

#### **8. Important role of the government**

Government of India has played an important role not only in production but also in the distribution and as a regulator of the economy.

#### **Clark-Fisher-Kuznets theory of sectoral composition of national income**

According to Clark-Fisher-Kuznets theory of sectoral composition of national income, importance of the primary sector has been gradually decreased and importance of the secondary sector has been gradually increased at the initial stage of economic development. As a result surplus population of the primary sector has been gradually transferred to the secondary sector. At the later stage of economic development, surplus population of the secondary sector again shifts to the tertiary sector or service sector.