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RISE OF INDIAN ECONOMY – THE SAGA PRE AND POST LIBERALISATION.

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Abstract

India with its celebration of 75th year of independence has experienced several ups and downs over the past seven decades. Once being labelled as third world country is now emerging as the strongest economy with dominant contributor in world GDP. The critical milestones from being socialist economy with rapid industrialization introduced in 50, the green, white revolutions, financial scams, undervalued stock market, famines, war, liberalization, globalization, banking sector, capital market, foreign exchange market reforms GST, demonetisation and make in India, It has been through swings. The present study tries to show the image of the promising India post struggles and the reforms undertaken.

Key words – GDP, reforms, banking sector, capital market.

Introduction

Then…..

The only identity of India in the early 19 th century was a nation poor in resources and economically backward. Country where cast, religion and illiteracy were the prime concerns. However the truth gets revealed through a report of word economic forum in the 21st century which lead people realize how far and with what past the nation is heading to become a 3.1 trillion dollars economy. The reports identifies India and China as the most prosperous nations in the world, looted once.

The OECD Nations agreed to study the facts underlying the report and under the headship of Professor Angus Maddison, came up with the vital statistics on India's GDP, in the 16th century was 25.1% of world. The treasury of Emperor Akbar amounted to Pound 17.5 million as against the treasury of entire Great Britain which was accounted to pound 16 million. In the 17th century the then emperor Aurangzeb reported a revenue of pound 100 million. So had been the glory of India.

Before Britishers started plundering India, its economy was at 24.5% of world GDP where as china was at 22.3%, UK at 2.1% and USA only at 0.1%. the wealth fell to 20% in 18th century, by 1880 it was down to 8% and in 1900 it dropped to only 1% and on the contrary UK went up by 18.5% and USA by 23.6%. One of the great civilization was crumbled, ruined, looted.

The Indus valley civilization once known for Industrialization became poor with 100 years of British rule. Known for Industry, started being recognised as agricultural nation. The famine made survival tough and manifold revenue collection system worsened it.

Technically the poor farmers, not in position to oppose, sold gold, for generations to pay taxes, once called the Golden Bird lost all its glitter. The misfortune bestowed since than has made it tough for governments since independence to cope. All precious metals, gold, silver, minerals, grains and even fodder was used to collect revenue. With nothing left, the grass was also looked upon as commodity. For that sake, even salt was exported.

The monsoon dependent nation was not at its mercy and food grains were also sent to armies of empire, the people went hungry. The nation whose belief for food being god was starving to death. Famines occurred almost every year.

Now…….

Once the golden bird at present holds approximately 11% of worlds physical gold. Indians talent and intellect is appreciated across world with Indians owning more property than people in London. The Indian Americans own more than 40% of Motels, 30% of fortune 500 companies have Indian CEO's. the silicon valley Bank(USA) account for 1/3 rd of all Indian engineers. In terms of monuments, it records the tallest statue to its credit, being first country to mine diamonds, and is leading diamond merchant nation, Golden temple feed meals to approximately 50,000 people every day. Country stands third in the world for billionaires and claims to have 140 billionaires.Indias tech Industry is valued at $ 245 billion. The nation is building the arch shaped Chenab bridge, worlds tallest rail bridge which stands at 1178 feet over river Chenab. No power on earth can now stop India from growing. The current worth of economy is at 3.7 trillion $ and projection of 6.2% as growth rate in 23-24.

Transition to millennial India ….

Challenges -

As former Prime Minister, Dr Manmohan Singh put it: "The brightest jewel in the British Crown" was the poorest country in the world in terms of per capita income at the beginning of the 20th century. The transition was not that easy.

The country was freed from 200 years old slavery and Britishers had divided the nation so it was difficult to choose development path. The then Government chose state controlled development instead of market oriented development. The major industries were government owned and financial markets were not developed. There were high statutary requirements by banks, Strong entry barriers for new entrants. The outcome is low level of competition and poorly regulated economy. Neither the resources could be generated nor the government was able to achieve economic growth. The household savings too were poor. high taxes were levied, government profits were accumulated and consumption was suppressed to accumulate capital. this capital was lent to industries to enhance industrial growth. Banks were puppets and were sanctioning loans to priority sectors and deposits were low by public as interest rates were also low. Loan rates were high which de motivated industry to borrow. Nationalization of banks took place in 1969. By 1990s the operational efficiency of national banks fell, low profits recorded and NPA s increased.

Action -

From 1991, major steps were taken. The then finance Minister considered competition as good for economy and so license raj was ended *Saez, L. (2004).*

The measures taken to expose ourselves to foreign companies led to vigorous export promotion and reduce import licensing. The Industrialization policy was diluted and foreign direct investment was allowed. The disinvestment strategy was also announced. SEBI was established and stock market was regulated. Efforts were made to capture the software market, the concessions in tax were given to software companies to boost their exports, and no industry has seen such growth parallel to it. Reforms were made in the tax slabs; it started focussing on direct tax rather than indirect.

Banking sector reforms, capital market reforms and foreign exchange market reforms.Under these reforms, banks were given liberty to levy differential interest rates on leans, statutory ratios were reduced, new private banks introduces and technology upgradation was introduced. The reforms on capital markets and foreign exchange markets have added to the growth statistics, Reddy, *Y. V. (2006, December 19)*

Future ....

Having lost the opportunity of growth since 1967 to China, the recent developments suggest the promising economic growth and Sir Manmohan Singh's prediction turning true. India is a young nation with dense population creating challenge for policy makers to create employment opportunities. The composition of south Asian Countries itself is expected to account for 30.6% and India accounting for 16.1%. However China will face a decline over the period, Tovar, P., & Bown, C. P. (2011). To capitalize the population is the biggest worry in terms of male –female employment rate and school education for all. The statistics reports 29.4% female employment rate and 96% of children below age 10 attend school. In the age group of 15-17, 64% females attend school in rural India and 79% in urban India. Promoting make in India and emphasis on exports is alone expected to add worth of 300 billion dollars. Industries like textile, dairy, vertical farming, green hydrogen, water recycling are all set to boom.

With the geopolitical tensions like the Russia Ukraine war, China's production crisis shrinking its growth from 8.1% in 2021 to 6.3% in 23. and US financial crisis, Germany slipping down from top five ,and UK's alarming growth rate in first quarter of 2023, are also getting in the trap of recessionary figures. However, the projections for the global growth are expected to rise by 3% and inflation to stay high by 7%.

Conclusion -

The IMF report has good indications for the once called golden bird, INspite of supply chain disruptions and recessionary tensions in the west, Real GDP projections for India are likely to exceed that of US and China. Such evaluations distinguish it from the struggling economies with positive impact on employment and thus savings too. It is also expected to surpass Giants of Europe like France and UK by 2028. It is for sure emerging as a strong economy and among 20 nations that contribute 75% of world growth, India registers its contribution. India has liberalised and globalised dramatically. The boost in IT and workforce employed, the Diaspora gained confidence in economy which is resulting in boost. The foreign trade policy 2023 with its focus on merchandise, services and e-commerce industry is opening up the nation to the world not to plunder but contribute. Seven decades of opening the economy has lead way for dynamic opportunities and reforms which has helped it attain ^% growth rate. India is expected to grow consistently per year and its domestic saving are likely to surge attracting more foreign direct investment and thus investment rate.

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