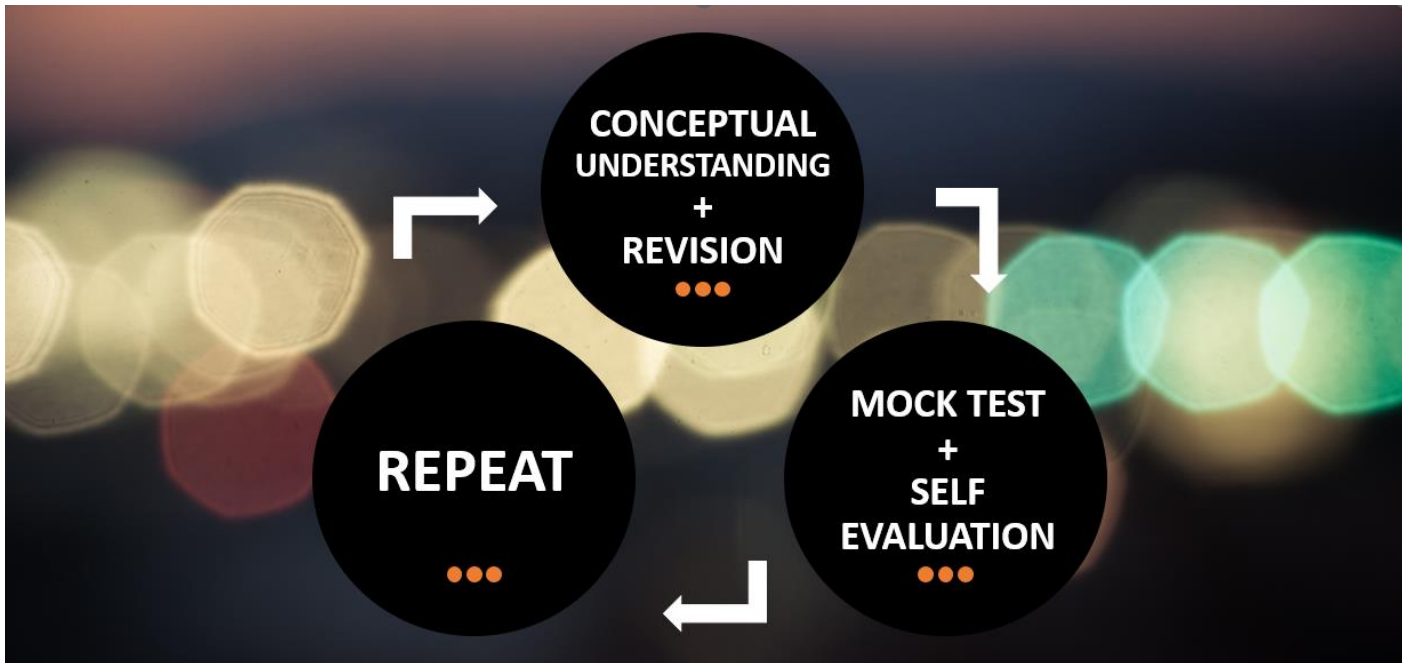


JAIIB IE & IFS Module A (Unit 1- An Overview of Indian Economy)

INDIAN ECONOMY & INDIAN FINANCIAL SYSTEM



Evolution Of Indian Economy

According to the Angus Maddison database, India and China contributed:

- 1000 AD : 50.5% of global GDP.
- 1600 AD: 52% of global GDP.
29% - China
23% - India
- A century later, China's GDP share had declined, while India's had risen to 24.4% of world output.

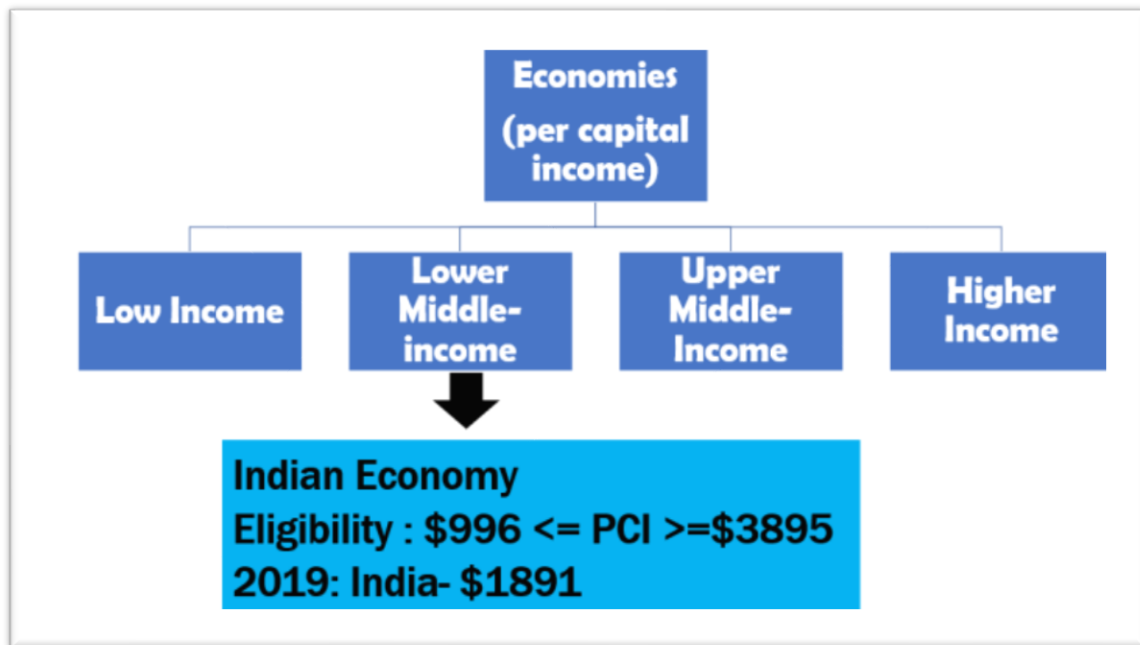


In terms of GDP purchasing power parity (PPP), India is ranked **3rd** in the world only after USA and China.

Today, **India** is one of the **world's fastest growing** major economies.

Basic Characteristics of Indian Economy

World Bank classifies economies considering per capita income.



In terms of PCI, India ranked very low.

- The low per capita income is **mainly attributed to high levels of**
 - poverty,
 - unemployment,
 - illiteracy, etc.

A number of factors influence the nature and characteristics of the Indian economy.

Some of these factors include:

- (i) low per capita real income,
- (ii) rapid population growth,
- (iii) a high rate of unemployment, underemployment, and disguised unemployment,
- (iv) excessive reliance on the primary sector,
- (v) a vicious circle of poverty, and
- (vi) rising unemployment.

Indian Economy In British Period

- During British colonialism, India's commerce, trade, and investment were hampered by the unilateral transfer of capital and raw materials to Britain.
- Under British rule, India remained a low-quality labour market.
- According to statistics, less than 1/6 of Indians were only literate.
- 1867-68 : Dadabhai Naoroji published the first estimates of national income in India in his book "Poverty and Un-British Rule in India"

According to Dadabhai Nairoji:

- British India's national income was Rs. 340 crore,
- Per capita income was Rs. 20 per annum at current prices

Note:

- India's share of global income
1600 A.D= 23%
but
by the time the British left in 1947, it had shrunk to only 3%

Note:

- India's share of global trade
1600 A.D= 33%
but
by the time the British left in 1947, it fell less than 3%

British Era

Early- British
Period
1600-1757

1757-1857 AD

British crown
1858-onward



Britishers Introduced:

- Zamindari,
- Mahalwari &
- Ryotwari system – to take excessive land tax from farmers.
- Commercialisation created a new class of intermediaries, increased the frequency of famines, & reduced farmers to landless labour.
- Private remittance: From 1858 to 1947, the colonial government's official transfers of monies to the United Kingdom were referred to as "Home Charges".

Comparative Macroeconomic Performance

Comparative Macroeconomic Performance of India and Britain, 1600–1947		
Per Capita GDP (1990 int. Dollars)		
India	550	618
United Kingdom	974	6,361
Population		
India	13.5 crore	41.4 crore*
United Kingdom	61.7 lakhs	4.95 crore
GDP (Million 1990 int. Dollars)		
India	74,250	255,852
United Kingdom	6,007	314,969
Source: Tabulated by author from Maddison, A. (2001). The world economy: A millennial perspective. Development Centre Studies, OECD. Paris; *: Including Pakistan		

- India's per capita income from **1600–1947 increased by 12%** whereas the increase for Britain for the same **period was 55%**.
- India's total GDP during **1600–1947 increased by 2.44 times**, but for Britain the rise was 52 times.

In 1978, Professor Raj Krishna coined the phrase "Hindu rate of growth" to describe the slow growth of the Indian economy.

Hindu
Growth Rate

▪ **THE TERM REFERS TO: SLOW RATE OF GROWTH**

- India's planned economy's low annual growth rate - around 3.5% from the 1950s to the 1980.
- **During the 6th five-year plan (1980–1985)** India could break the curse of the '**Hindu Rate of Growth**'.

Q1. World Bank classifies economies considering per capita income. There are 4 categories namely - Low Income; Lower Middle-Income; Upper Middle-Income and Higher Income. Indian economy falls under the category of ____.

- (a) Low Income
- (b) Lower Middle-Income
- (c) Upper Middle-Income
- (d) Higher Income

Ans.(b)

Q2. The low per capita income is mainly attributed to high levels of ____.

- (a) poverty, unemployment, illiteracy
- (b) poverty, employment, illiteracy
- (c) poverty, unemployment, literacy
- (d) poverty, employment, literacy

Ans.(a)

Q3. As per the Angus Maddison database, India's share to global GDP was ____ in 1600 AD.

- (a) 5 per cent
- (b) 10 per cent
- (c) 23 per cent
- (d) 30 per cent

Ans.(c)

Q4. India accounted for ____ percent of global trade in 1600, but fell to less than ____ percent in 1947.

- (a) 23, 3
- (b) 33, 5
- (c) 23, 5
- (d) 33, 3

Ans.(d)

Q5. In 1978, Professor Raj Krishna coined the phrase "Hindu rate of growth" to describe the growth of the Indian economy. What does the term refer to?

- (a) High rate of economic growth in India
- (b) Slow rate of economic growth in India
- (c) Rapid industrialization of India
- (d) Growth rate of the Indian agricultural sector

Ans.(b)

Q6. The introduction of the Zamindari, Mahalwari, and Ryotwari systems by the British led to several negative consequences for Indian farmers. Which of the following was one of the major impacts on the agrarian community?

- (a) Reduction in the frequency of famines
- (b) Transformation of farmers into wealthy landowners
- (c) Increased frequency of famines and impoverishment of farmers
- (d) The establishment of large agricultural co-operatives

Ans.(c)

Q7. In his book Poverty and Un-British Rule in India, Dadabhai Naoroji estimated that India's per capita income was Rs. 20 per annum at current prices. What did this low per capita income reflect about the living conditions of the average Indian during British rule?

- (a) It reflected a relatively high standard of living for the Indian population
- (b) It indicated widespread poverty and economic underdevelopment
- (c) It suggested that India was a highly industrialized nation under British rule
- (d) It pointed to the wealth generated by India's rich merchant class

Ans.(b)

Q8. India's economy is shaped by a number of factors, each contributing to its unique characteristics and challenges. Which of the following sets of factors most accurately describe some of the key characteristics of the Indian economy?

- (a) Low per capita real income, rapid population growth, high unemployment, excessive reliance on the secondary sector, rising inflation.
- (b) High per capita income, rapid population decline, underemployment, excessive reliance on the primary sector, vicious circle of prosperity.
- (c) Low per capita real income, rapid population growth, high rates of unemployment, underemployment, excessive reliance on the primary sector, vicious circle of poverty.
- (d) High per capita real income, low population growth, full employment, industrialization, and rapid technological progress.

Ans.(c)

