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An Overview of Indian Economy (1991-2013)

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Abstract: *Since 1951, India has fully-fledged as a planned economy. The first few plans focused on growth with strengthening of the manufacturing and industrial sector to form the backbone of the Indian economy. Other principal areas of planning were agriculture, poverty alleviation, employment generation, social development etc. Back in 1991, India saw itself battling its most critical economic and currency crisis ever, but after economic reforms and adopting the policy of LPG (Liberalization, Privatization, and Globalization) Indian economy performed well. Then again due to global financial crisis in 2008 Indian economy again interrupted and going through another turbulent phase. This paper analysis Indian economy from 1991-2013.*
Key words*: Indian Economy, Economic crisis, Global financial crisis.*

The economy of India is the tenth largest in the world by nominal GDP and the third largest by purchasing power parity (PPP). The country is one of the G-20 major economies and a member of BRICS. On a per capita income basis, India ranked 140th by nominal GDP and 129th by GDP (PPP) in 2011, according to the IMF.
Back in 1991, India saw itself battling its most critical economic and currency crisis ever. The government then did not have many options but to take up some tough reforms. Many barriers and restrictions were taken off. The new economic policy of 1991 was characterized by liberalization, globalization and privatization. What followed these radical changes is now history.
Two decades have passed since then. And the ghosts of 1991 have come again to haunt us. Take the twin deficits during both these period. The fiscal deficit was at 5.39% of GDP in 1991-92. In 2011-12 it was at 6.9%. Similarly, the current account deficit was at 3% of GDP in 1991. The same stood tall at 4.3% in March 2012. Short term external debt has shot up from 10% of GDP in 1991 to 22% currently. 1990s and 2000s witnessed major changes in the Indian economy due to economic liberalization in India. This revitalization took place in the whip of balance-of-payment emergency. The government of India allowed private infusions in Indian market which facilitated monetary infusion from FDI and FII. As per the estimate by Ministry of Statistics and Programme Implementation, GDP of India in the year 1990 stood at 5,542,706 in comparison with 842,210 in 1975.
Of course, it would be an overstatement to liken the current scenario to the 1991 crisis. The Indian economy has indeed come a long way since then. Back in 1991, India had foreign exchange that wouldn't last beyond two weeks. With current reserves of about US$ 290 bn, the economy can meet its import requirements of about 7 months. India's domestic savings rate has gone up from 20% of GDP to 31.6% during this intervening period. Even Indian companies are in much better financial health today than in 1991.
But there are also several new challenges now that didn't exist back then. One very major difference is the state of the global economy. Back in 1991, the overall economic environment in the global arena was favourable. Today we are quite integrated with the global economy. This has tremendously increased our vulnerability to external shocks.
As a fledgling democracy, India's economic experiment of planned development was held out as an example to many aspiring low-income countries in the 1950s. While some countries raced ahead in the development process, India lagged behind. This is evident from the fact that it took 40 long years from 1950-51 for India's real per capita GDP to double by 1990-91. But, 1991-92 was a defining moment in India's modern economic history as a severe balance of payments (BOP) crisis prompted far reaching economic reforms, unlocking its growth potential.

ECONOMIC PROGRESS POST-1991

The initiation of economic reforms in the 1990s saw India gradually breaking free of the low growth trap which was euphemistically called the "Hindu growth rate" of 3.5 per cent per annum. Real GDP growth averaged 5.7 per cent per annum in the 1990s, which accelerated further to 7.3 per cent per annum in 2000s. A feature of the growth acceleration during the period was that while the growth rate of industry and services increased that of agriculture fell. This was because there was no notable technological breakthrough after the "green revolution" of the mid-1960s which saw sharp increase in yields of cereal production particularly in northern part of India. By the 1990s, the momentum of "green revolution" had died down. Consequently, the yield increases in the 2000s were much lower than those experienced even in the 1990s. Notably, the decade of

Figure 5 traces the trends in deficits of central government over the past four decades. The gross fiscal deficit as a percent of Gross Domestic Product (GDP) increased from 3.04 percent of GDP in 1970-71 to the peak of 8.37 percent in 1986-87 and then declined to 4.84 percent in 1996-97. It was around 7 percent of GDP during 1987-88 to 1990-91. During the 1990s the average fiscal deficit as a percent of GDP was 5.67 percent. However, after 2003-04 central governments contained the fiscal deficit from 4.48 percent of GDP to its all-time minimum of 2.54 percent in the year 2007-08. Then it increased to 6.48 percent in 2009-10 and declined to 5.89 percent. Similarly primary deficit, which is fiscal deficit excluding interest payment has increased from 1.74 percent in 1970-71 to a peak of 5.43 percent in 1986-87 and declined to 0.53 percent of GDP in 1996-97. Primary deficit was dissolved from the year 2003-04 to the year 2007-08 except the year 2005-06. It was 2.78 percent during the year 2011-12.

After 1991-92, primary deficit has declined much due to the rising interest payment and to some extent a decline in fiscal deficit. Revenue deficit was incurred in the period 1971-72 and 1972-73. It was 0.57 percent in 1979-80, after that it increased to 3.26 percent in 1990-91. It reached maximum of 5.25 percent of GDP in 2009-10. The average of revenue deficit as a percentage of GDP in 1980s, 1990s and 2000s has been 1.72 percent, 3.02 percent and 3.40 percent respectively. It was 4.46 percent of GDP during the period 2011-12.

TABLE-3: EVOLUTION OF INDIA'S TRADE BALANCES (RS. CRORES)

Period	Exports	Imports	Trade Balance	Trade balance as % of GDP
1991-92	32,553	43,198	-10,645	2.1
1996-97	118,817	138,920	-20,103	1.6
1997-98	130,100	154,176	-24,076	1.7
1998-99	139,753	178,332	-38,580	2.4
1999-00	159,561	215,236	-55,675	3.1
2000-01	203,571	230,873	-27,302	1.4
2001-02	209,018	245,200	-36,181	1.7
2002-03	255,137	297,206	-42,069	1.8
2003-04	293,367	359,108	-65,741	2.6
2004-05	375,340	501,065	-125,725	4.4
2005-06	456,418	660,409	-203,991	6.2
2006-07	571,779	840,506	-268,727	7.1
20007-08	655,864	1,0123,12	-356448	7.8
20008-09	840,755	1,374,436	-533,680	10.1
2009-10	845,534	1,363,736	-518,202	8.5

Source: *Economic Survey; Ministry of Finance, Government of India (2010-11*

The rapid growth of demand for imports led to chronic current account deficit. It can be seen in Table 3. The trade balance was negative in all years from 1991 to 2010. It peaked as a percentage of GDP in the years of India's first post-independence "balance of payments crises" in 1956-57 at 4.8 per cent of GDP, remained in the 3-4 per cent range in the 1960s, rose again as a response to the oil and commodity price increases of the early 1970s and again in that range in the 1980s.

Conclusion:

In conclusion we can say that Indian economy performed well after 1991 but currently Indian economy going through another turbulent phase. It is hard to believe the fact that, we have definitely grown since 1991 but the main imbalances then -fiscal deficit and current account deficit- are in reckoning again and have become the main concerns of today. People have started drawing parallels based on similarities in the economy like - Current Account Deficit in 2012 is 4% as compared to 3% of 1991. Fiscal Deficit is 6% in 2012 as compared to 8% in 1991.

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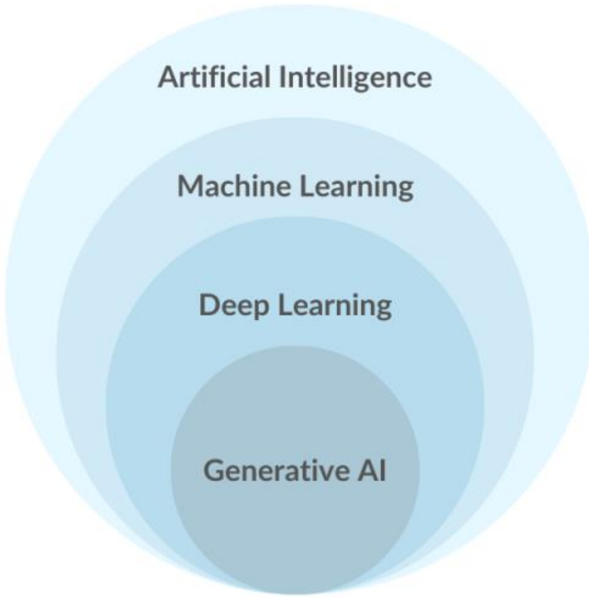

Generative AI

- It learns from existing data & generates brand new artifacts.
- Gen AI produces new content: images, speech, video, formulas, music, text, code.
- Risks include: bias, accuracy, transparency, cybersecurity.
- In 2023 Gen AI is used in: marketing, sales, gaming, graphic design, programming, finance, healthcare.

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