**Structure of Indian Economics**

**Economic Growth and Economic Development**

**Economic Growth refers to the rise in the value of everything produced in the economy.**

It is the rise in the money value of goods and services produced by all the sectors of the economy during a particular period.

It is a quantitative measure that shows the increase in the number of commercial transactions in an economy.

It can be expressed in terms of gross domestic product (GDP) and gross national product (GNP) that helps in measuring the performance of the economy.

**Economic Development** is defined as **the increase in the economic wealth of a country** or a particular area, for the welfare of its residents.

Human Development Index (HDI) is the appropriate tool to measure the development in the economy.

It considers the overall development in an economy regarding the standard of living, living conditions, technological advancement, improvement in self-esteem needs, the creation of opportunities, per capita income, infrastructural and industrial development etc.

### **Example**

To understand the two terms economic growth and economic development, we will take an example of a human being. The term growth of human beings simply means the increase in their height and weight which is purely physical. But if you talk about human development, it will take into account both the physical and abstract aspects like maturity level, attitudes, habits, behaviour, feelings, intelligence and so on.

In the like manner, **growth of an economy** can be measured through the increase in its size in the current year in comparison to previous years,

but **economic development** includes not only **physical but also non-physical aspects** that can only be experienced like improvement in the lifestyle of the inhabitants, increase in individual income, improvement in technology and infrastructure, etc.

### **Comparison Chart**

| BASIS FOR COMPARISON | ECONOMIC GROWTH | ECONOMIC DEVELOPMENT |
| --- | --- | --- |
| Meaning | Economic Growth is the positive change in the real output of the country in a particular span of time. | Economic Development involves rise in the level of production in an economy along with the advancement of technology, improvement in living standards and so on. |
| Concept | Narrow | Broad |
| Scope | Increase in the indicators like GDP, per capita income etc. | Improvement in life expectancy rate, infant mortality rate, literacy rate and poverty rates. |
| Term | Short term process | Long term process |
| Applicable to | Developed Economies | Developing Economies |
| How it can be measured? | Upward movement in national income. | Upward movement in real national income. |
| Which kind of changes are expected? | Quantitative changes | Qualitative and qualitative changes |
| Type of process | Automatic | Manual |
| When it arises? | In a certain period of time. | Continuous process. |

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### **Conclusion**

After the above discussion, we can say that economic development is a much bigger concept than economic growth. In other words, the economic development includes economic growth. As the former uses various indicators to judge the progress in an economy as a whole, the latter uses only specific indicators like gross domestic product, individual income etc.

# Features of the Indian Economy

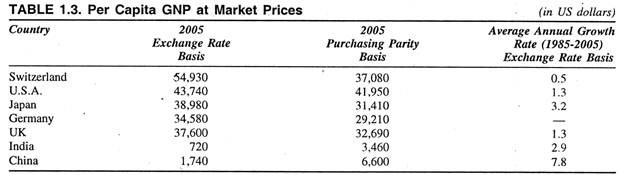
**Low per capita income:**

In India, per capita income is very low, which is one of the basic reason behind country’s underdevelopment.

This disparity in the per capita income of India and other developed countries has registered a manifold increase during the last four decades (1960-2005).

Although the per capita income at official exchange rates exaggerated this disparity but after making necessary correction through purchasing power parity figures, the per capita GNP of U.S.A. was 12.0 times that of India in 2005 as against 68.0 times that of India at official exchange rates.

Even after making necessary adjustment, the per capita income differences, although narrowed down, yet remain quite significant and huge. Table 1.3 will clarify the position.

[](http://cdn.economicsdiscussion.net/wp-content/uploads/2016/02/clip_image002-93.jpg)

In order to convert national currency figures to the US dollars, the utilisation of official exchange rates does not allow to measure the relative domestic purchasing power of currencies. In this connection, work of LB. Kravis and others titled **“International Comparison of Real Product and Purchasing Power”** (1978) has provided some relief.

#### Indian Economy: Characteristic # 2.

**Excessive dependence on agriculture**

Indian economy is having too much dependence on agriculture for its primary sector.

In India a very high proportion of working population is engaged in agriculture and allied activities, which contributes a large share in the national income of our country.

In 2004, nearly 58 per cent of the total working population of our country was engaged in agriculture and allied activities and was contributing about 21.0 per cent of the total national income.

In most of the countries of Asia, Middle East and Africa, from two-thirds to four- fifths of their total population are solely dependent on agriculture. In most of the developed countries like U.K., U.S.A. and Japan, the percentage of active population engaged in agriculture ranges between 1 to 5 per cent. Table 1.4 will clarify this position.

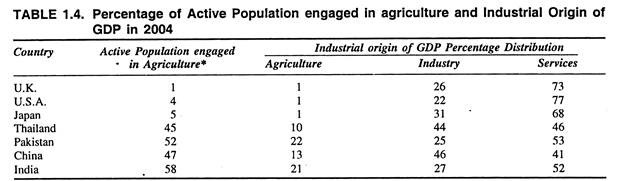
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Table 1.4 reveals that in India 58 per cent of its active population is engaged in agriculture but agriculture contributes only about 21 per cent of the national income of our country. Moreover, low agricultural productivity, lack of modernisation and lack of diversification in its output are some of the basic problems from which our agricultural sector is suffering.

Thus our agricultural sector is overburdened as the majority of our active population is depending on agriculture.

#### Indian Economy: Characteristic # 3.

**High rate of population growth:**

Population imposes a greater economic burden on the economy of a country as to maintain such a rapidly growing population we require food, clothing, housing, schooling, health facilities etc. in greater magnitude.

The development that has been achieved in the country, it is being swallowed up by the increased population, as a result of which there is a need of high rate of economic growth for maintaining the same standard of living.

Indian Economy: Characteristic # 4.

**Unemployment and under-employment**:

Rapid growth of population and inadequate growth of secondary and tertiary occupations are responsible for the occurrence of unemployment and under-employment problem in our country.

Unemployment in India is the result of deficiency of capital. Indian industries are not getting adequate amount of capital for its necessary expansion so as to absorb the entire surplus labour force into it.

In the urban areas of our country, the problem of educated unemployment as a result of which both the rural and urban area of our country is suffering from the serious problem of unemployment and under-employment to a large extent.

Indian Economy: Characteristic # 5

**Inequality in wealth distribution**

Maldistribution in income is the result of inequality in the distribution of assets.

**Low technological advancement:**

Prevalence of low level of technological advancement is one of the important characteristic of India as still there is a lot of technological backwardness.

Modern technology is being applied in productive units at a very limited scale as it is very **much expensive** and the **labour class in India is untrained, illiterate and unskilled**.

Thus due to the application of poor technology and poor skills, the productivity- in both the agricultural and industrial sectors of our country is very low which results in inefficient and insufficient production.

**Under-utilisation of natural resources:**

In respect of natural endowments India is considered as a very rich country. Various types of natural resources, viz., land, water, minerals, forest and power resources are available in sufficient quantity in the various parts of the country.

But due to its various inherent problems like inaccessible region, primitive techniques, shortage of capital and small extent of the market such huge resources remained largely under-utilised. A huge quantity of mineral and forest resources of India still remains largely unexplored. Until recently, India was not in position to develop even 5 per cent of total hydropower potential of the country.

Indian Economy: Characteristic # 9.

**Lack of infrastructure:**

Lack of infrastructural facilities is one of the serious problems from which the Indian economy has been suffering till today. These infrastructural facilities include transportation and communication facilities, electricity generation and distribution, banking and credit facilities, economic organisation, health and educational institutes etc.

The two most vital sectors, i.e. agriculture and industry could not make much headway in the absence of proper infrastructural facilities in the country. Moreover, due to the absence of proper infrastructural facilities, development potential of different regions of the country largely remains under-utilised.

Indian Economy: Characteristic # 10.

**Low level of living**:

The standard of living of Indian people in general is considered as very low. Nearly 25 to 40 per cent of the population in India suffers from malnutrition. The average protein content in the Indian diet is about 49 grams only per day in comparison to that of more than double the level in the developed countries of the world.

Moreover, the low calorie intake in Indian diet is another characteristic of low level of living. In 1996 the daily average calorie intake of food in India was only 2,415 in comparison to that of 3,400 calories per day in various developed countries of the world. The present calorie level in India is just above the minimum caloric level required for sustaining life which is estimated at 2100 calories.

Moreover, a small percentage of Indian populations have access to safe drinking water and proper housing facilities. As per the estimate of National Building Organisation (NBO), in total there was a shortage of 31 million housing units at the end of March, 1991 and by the turn of the century, total backlog of housing shortage in the country is around 41 million units.

Indian Economy: Characteristic # 11.

**Poor quality of human capital:**

Indian economy is suffering from its poor quality of human capital. Mass illiteracy is the root of this problem and illiteracy at the same time is retarding the process of economic growth of our country. As per 2001 census, 65.3 per cent of the total population of India is literate and the rest 34.7 per cent still remains illiterate.

In most of the developed countries like U.S.A., U.K., Canada, Australia etc. the level of illiteracy is even below 3 per cent. Moreover, the problem of illiteracy in India makes way for conservatism and this is going against the economy of the country.

Besides, low level of living is also responsible for poor health condition of the general masses. All these have resulted the problem of poor quality of human capital in the country.

Indian Economy: Characteristic # 12.

**Demographic characteristics**:

The demographic characteristics of India are not at all satisfactory rather these are associated with high density of population, a smaller proportion of the population in working age group of 15-60 years and a comparatively larger proportion of population in the minor age group of 0-15 years, As per 2011 census, the density of population in India was 382 per sq km. as compared with world density of population of 41 per sq km.

Even in China, the density is nearly 123 per sq km. Again, as per 2001 census, 35.6 per cent of the total population is in the age group of 0-14 years, 58.2 per cent is in the working age group of 15-60 years and about 6.3 per cent in the age group of 60 and above. All these shows that the dependency burden of our population is very high.

Moreover, lower income level, low level of living including absence of balanced diet and proper housing and medical facilities are responsible for low life expectancy of 63.9 years in India in comparison to that of 75 years in most of the developed countries of the world and high rate of infant mortality in India, i.e., about 53 per 1000 children as against only 5 to 7 per 1000 in developed countries,

Indian Economy: Characteristic # 13.

**Inadequate development of economic organisation:**

Poor economic organisation is another important characteristic of the Indian economy. For attaining economic development at a satisfactory rate certain institutions are very much essential. As for example, for mobilisation of savings and to meet other financial needs, more particularly in the rural (areas, development of certain financial institutions are very much essential.

In India the development of financial institutions is .still inadequate in the rural areas. There is the urgent need to develop certain credit agencies for advancing loan to small farmers on easy terms as well as to provide long term and medium term loan to industries.

For protecting poor tenants from the clutches of landlords, proper enforcement of tenancy legislation is very much necessary. All these require maintenance of honest and efficient administrative machinery which India is lacking very much.

Thus from the foregoing analysis it has been revealed that the Indian economy largely remains underdeveloped as the economy still exhibits the basic features of an underdeveloped economy. But considering its developmental strategy followed during last six decades of its planning and the progress attained in certain areas thereupon, Indian economy can be safely considered as a developing economy.

**Changing Structure of Indian Economy**

Apart from the growth in quantitative and qualitative terms, there are a lot of significant changes took place in India’s economic structure since independence. These changes in the structure of Indian Economy are discussed as follows:

**1. Changing Sectoral Distribution of Domestic Product:**

Change in composition of domestic product or national income refers to change in relative significance of different sectors of the economy. Generally, an economy is divided into three major sectors viz. primary, secondary and tertiary sectors.

Primary sector includes agricultural and allied activities, secondary sector includes manufacturing industries and tertiary sector includes services. It has been noticed that, with the development process after independence, the significance of primary sector has been declined while that of secondary and tertiary sectors has been increased.

**2. Growth of Basic Capital Goods Industries:**

When country attained independence, the share of basic and capital goods industries in the total industrial production was one-fourth (approx.).

In the second plan, a high priority was given to capital goods industries, as their development was considered a pre-requisite to the overall growth of the economy. Consequently, a large number of basic industries which produce capital equipment and useful raw materials have been set up making the country’s industrial structure strong.

**3. Expansion in Social Overhead Capital:**

Social overhead capital broadly includes transport facilities, irrigation systems, energy production, educational system and health facilities.

Their development creates favorable environment for growth and also for better human living.

The transport system in India has grown both in terms of capacity and modernization.

The railways route was length increased, Indian road network is now one of the largest in the world as a result of spectacular development of roads under various plans.

India has also seen growth in Life- expectancy and Literacy Rate but education has not expanded at a desired rate.

**4. Progress in the Banking and Financial Sector:**

Since independence, significant progressive changes have taken place in the banking and financial structure of India. The growth of commercial banks and cooperative credit society’s growth has been spectacular and as a result of it the importance of indigenous bankers and money-lenders has declined.

Since nationalization, these banks have changed their credit policy. Now more funds are made available to priority sectors such as agriculture, small-scale industries, transportation, etc.

Indian economy has progressed structurally mainly in the growth of capital goods industries, expansion of the infrastructure, performance of the public sector, etc.

These factors have created an element of dynamism in the country’s economy.

**Unit II**

**Size and Growth of Population in India**

The rapid and excessive increase in population is called Population Explosion. In India, population has increased tremendously in post-independence period. It increased 7.80 crore between 1951-61. Population has been increasing constantly since 1951.

In year 1991, it was estimated 84.63 crore and in 2001, it increased to 102.87 crore. In 2005 figure stood at 109.10 crore. The rapid rate of increase in population is the main problem of the country.

**Size and Growth of India’s Population:**

India comes second to China as regards the size of its population. It occupies 2.4% of world’s area and with 1.5% of world’s income; India is maintaining 16% of world’s population.

1.60 Crore persons are added annually in country’s population.

**The Growth of India’s population can be studied in four periods of time:**

**1. Stagnant Population Period (1891-1921):**

The rate of growth of population in India was slow between 1891-1921:

(а) 1891-1901: Population decreased by 4 lakh in this decade. Natural calamities like famines, plague, malaria etc. played havoc with the lives of people.

(b) 1901-1911: Population rose by 137 lakhs in these 10 years. Death rate was low as this period remained free from natural calamities.

(c) 1911-1921: Population decreased by 7 lakhs during this decade. Famine, Plague, Cholera and Malaria etc. were the cause for this decrease.

**2. Steady Growth of Population Period (1921-1951):**

In this decade, the population increased at a constant rate. That is why; the year 1921 has referred as ‘Year of Great Divide’ in population history.

(а) 1921-1931:

Population increased by 276 lakhs.

(b) 1931-1941:

Population increased by 3.96 crore during this period and rate of growth become 14%.

(c) 1941-1951:

Population increased by 4.24 crore. Due to partition of the country, the growth rate decreased a little.

**3. Period of Population Explosion (1951-1981):**

(а) 1951-1961:

In this decade, population increased rapidly. It is called ‘period of population explosion’. Population increased by 7.82 crore.

(b) 1961-1971:

In this period population recorded increase of 10.82 crore.

(c) 1971-1981:

During this period, population increased by 13.50 crore.

**4. Period of High Growth 1981 onwards:**

(а) 1981-1991:

In this decade, the population was 84.63 crore.

(b) 1991-2001:

In 2001, the population went up to 402.87 crore.

The population of India increased by 18.24 crore.

The growth rate of Indian population is more than China and Sri Lanka whose population grows at a rate of 1% per year.