CHAPTER – V. HISTORY OF INDIAN ECONOMY

India is a developing economy. Indian economy is slowly but steadily giving place to rapid economic activity and higher levels of income under the impact of economic planning. Our present economic elements are associated with the problems of economic growth. The knowledge of the history of Indian Economy is essential to solve the problem. An attempt is made to discuss the details history of Indian economy from the period of ancient times to post colonial era. The economic history of several periods along with their positive and negative points are analysed.

Economic history of India is at least five thousand years old. Indian economic history can be broadly classified in three era’s beginning with the:-

* **Pre-colonial period** lasting upto 17th Century.

  * The **British colonialisation** started the colonial period in the 17th Century which lasted till India got its independence in 1947.

  * The third period stretches **from independence in 1947 until the present**.¹

**PRE-COLONIAL PERIOD**

This period is classified into several civilization and empires. The pre-colonial periods starts from 3300 B.C. and stretches upto 1818 A.D.²

* **Indus Valley Civilisation:**

  The first known urban settlement in the world history, Indus Valley Civilisation (3300 B.C. to 1700 B.C.), had an advanced and flourishing economic system. The well constructed streets, drainage system and water supplies in major cities evidenced of how prosperous the economic
system was there.³ The general occupation of the people was agriculture. Other than this they made sharp tools and weapons from bronze, copper and tin. They were exchanging these products and domestic animals with other cities. Mohenjodaro, Harappa and Rakhigarhi worked their footstep in planning an urban civilisation.

*Ancient and Medieval Period :

The Indian economy was almost entirely a rural economy. Most of the population resided in villages, largely had a self-sustaining economy. The main occupation was agriculture along with industries, food, textile, crafts etc. There were people like weavers, barbers, carpenters, doctors (ayurvedic). Goldsmiths were also resided in villages. All the materials needs of the village people were self satisfactory. The predominant aspect of the village life was extremely simple division of labour. Each one did all the jobs connected with the production of a commodity. Because of this system they had developed their skill hereditary. Urban population was small. According to Conjecture, “urban population could not have amounted to more than ten percent of the total population.”⁴

Hinduism was the most prominent religion which had a great influence in the economy of that period. The barrier which had drawn the different people into different caste and sub-caste restricted economic prosperity to few classes. This system had some of its backdrops. The caste barrier resulted an economic barrier also. It restricted the people from changing one’s occupation and not to divert them to one’s another lifestyle. Thus a carpenter could not become a Kshatriya or a Kshatriya could not become a Bramhana. Each class has its own prestigious value (upper class) and thus there are differences in the economy of different caste and sub-caste⁵. Since this
time castism had started in India and the Indian economy was also started to depend on this
castism and the effect was not very healthy for the development of the whole country.

Most of the towns grew up because these were either religious places like Puri, Banaras, Gaya,
Allahabad, Nasik etc or the seats of the power like Bijapore, Golkunda etc or trading and
commerce centres like Mirjapor etc. Although the dominant causes of growth of these towns
were non-industrial in character, yet there were always certain industries in all the towns. For
example, in places of pilgrimage, vessels to hold Ganges water, utensils for worship etc, were
manufactured. In towns depending upon courts, luxury goods like gold and silver works, stone,
ivory and wood carving etc, were produced.6

Joint family business was mainly the result of huge business ventures, created by the members
of the family and gave adequate resources and investment in the business. The joint family
business was mainly based on cycling business. The younger were trained and employed and
the older member who retired from work was supported by family. The joint business ventures
prevent the agricultural land from splitting because of its higher benefit scale.

Along with the Joint family business, the ancient India also possessed a number of privately
owned or individually owned business, including the gana, pani, vrata, sangha, sreni, nigama,
and puga. Nigama, pani and sreni refer most often to economic organization of merchants,
craftsmen and etc. Sreni was similar to that of Modern Corporation which was being used in
India from 8th century B.C. to 10 century A.D. In ancient India such organization was used in
different kind of business, political and municipal activity. In ancient India, there were 18 to
1500 sreni covering both trading and craft activities. The owners of sreni, holds separate
property and conducts its own rules and regulations. Some sreni had more than 1000 members.
It maintains a centralized management system. This type of specialised occupation indicated of a developed economy. Some ancient sources like Laws of Manu VIII and Chanakya’s Arthasastra have rules for law suits between two or more srenies and some sources make reference to a government official (Bhandagarika) who worked as an arbitrator for disputes among sreni from at least the 6th century B.C onwards.

The head of the sreni was selected through election by the members. Along with the head person, there were two to five other executive officers, with whom the head runs the administration. These executive officers were elected by the general assembly. The head could be removed by the general assembly also. The headman represented from the sreni to the king’s court and in other business matters. He had to maintain administrative functions of the sreni, conditions of working procedure within the sreni and finalise contracts on behalf of the organisation of sreni.

* Coinage –

Punched marked silver coins introduced around 5th century B.C and the first metallic coins were minted around 6th century B.C. The earliest traces of coinage were marked around 6th century B.C. by the Mahajanapadas of the Gangetic plains. Among Indian kingdoms and rulers, barter were widely common, many of them issued coins. The craftsmen received stipend money during their harvest time, while they had to pay a portion of their agricultural produce as revenue. At that time, each economic unit, i.e. each village was mostly self-sufficient.
**Maurya Empire**

The Indian economy had gone into a vast change during the Mauryan Empire (321 – 185 B.C.). The Arthasastra, (Science of State) was written by Chanakya an advisor to Chandragupta Maurya, the most successful ruler in Maurya dynasty, described the detailed ancient textual description of economics, political and administration. It contains the information and knowledge of how to expand and maintain powers, administer an empire and obtain material gain. It also contains rules regarding the governing of an empire both theory and implementation.

It was at that time India was unified under one ruler. The improved infrastructure security and usage of coins was increased which enhanced trade. Building of roads, throughout India flourishes the transporting business. Trade route became secured, which reduced the risk associated with the transportation of goods.

Several centuries later, the Maurya Empire, economic situation was compared with the Roman Empire. They shared extensive trade connections, and organizations similar to corporations. Roma had public organisational entities; while Mauryas had numerous private commercial organizations. Maurya’s had the organizational entities like sreni, while Romans had prevented such entities from developing.

The belief that India had never been an industrial country is incorrect. It was true that agriculture was the dominant occupation of her people, but the products of Indian industries enjoyed worldwide reputation. India exports several manufactural goods like Muslim of Dacca, Calicos of Bengal, Shawls of Kashmir, Sarees of Benaras, Steel and iron, silk and other agricultural product like pepper, cinnamon, opium and indigo, along with textile and handicrafts goods to
Europe, Middle East and South East Asian countries, in return for which they import gold and silver. Indian Muslim was used in Egypt to wrapped the mummies at 2000 B.C. India was also quiet well known for her artistic industries like marble-work, stone, carving, jewelers, brass-copper, bell-metal wares, wood-carving etc. T.N.Mukherjee wrote, "A piece of of the muslin 20 yards long and one yard wide could be to pass through a finger ring and required six months to manufacture."12

India had the world's largest economy in the 1st century and 11th century which was mentioned by an economic historian Angus Maddison in his book, "The World Economy: A Millennial Perspective". The percentage of growth defined, with 32.9% in the 1st century to 28.9% in the 1000 century and in 17 AD with 24.5%.13 Many historians criticized this account, which was based on controversial assumptions. At a time when the West Europe, the birthplace of the modern industrial system, was inhabited by uncivilized tribes, India was famous for the wealth of her rulers and for the height artistic skill of craftsman. And, even at a much later period, when merchant adventures from the west made their first appearance in India, the industrial development of this country was at any rate, not inferior to that of the more advanced European nations.

**Mughal Rule:**

India's economy during the Mughul Period (1526-1803), as in the ages before, was predominantly agricultural. More than seventy-five per cent of the population lived in the villages and were directly or indirectly connected with land. There was enough spared land and very often the government had to resort to persuasion to make the peasantry extend the area under cultivation. The country, "full of men and full of products,"14 was divided into
villages which were surrounded by cultivable fields, and had also land for pasture and forests, for fuel and other purposes. The village known as goon was called mauza in official records. There was a wide range of variation in the area of the villages, and these were flourishing that a good deal of silk was exported to foreign countries. During Akbar's reign Ahmadabad, Kashmir and some parts of Bengal and Bihar, including the city of Patna, were important centres of this industry. Akbar encouraged silk industry and, contrary to the usual orthodox Muslim practice in, other countries, large quantities of silk cloth were required for the royal workshops and wardrobe, and by the nobles and other upper class people throughout the country. Moreland is of the opinion that "a substantial proportion of raw silk was utilised for manufacturing mixed-goods, which are still a feature of the hand-weaving industry." Silk industry progressed greatly in the time of Jahangir and Shah Jahan. Many thousand bales of silk yarn were sent out every year from Cossimbazar in Bengal. We are told by Tavernier that "the Hollanders usually carry away six or seven thousand bales, and would carry away more, if the merchants of Tartary and the Mughal Empire did not oppose them; for they buy up as much as Hollanders, the rest the natives keep to make their stuffs." Silk was very much in demand in Surat and Ahmadabad for the manufacture of carpets and satins, mixed with silk and gold threads. "Patoles, a sort of silk stuff, very thin and painted with all sorts of flowers were also manufactured, each piece costing Rs. 8 to Rs. 40." During the reign of Shah Jahan (1628-1658) raw cotton was in demand for candle wicks and fustians (cloths which have flaxen warps with cotton wefts). So much cotton yarn was produced that a good part of it had to be exported, and it was difficult for other countries to compete with India in charkha spinning. Wool, though not produced in all parts of India, and was nevertheless a fairly important industry in Akbar's time. Kashmir and the western parts of Rajasthan were wool-producing areas. It was obtained
from different animals, such as sheep, camels, goats and angoras. It was from the fleece of
domestic sheep that commercial supply of wool was obtained. Abu-'
Fazl speaks of the keen
interest that Akbar showed in promoting the wool industry, particularly the manufacture of
shawls, and carpets of different varieties and colours. He says that the 'Tins' animal supplied
fine wool of red, black and white colours. Shawls made of it were famous for their lightness,
warmth and softness. In the early days of Akbar's reign shawls and some other costly woollens
came mostly from Kashmir, but on account of Akbar's patronage these began to be
manufactured in the Punjab and some other parts, and in the city; of Lahore alone were
established more than a thousand workshops.18The first quarter of the 16th century was marked
by abundance of wheat, barley, gram and other food grains. Prices of all articles of food and
other daily necessaries of life were so low that during the reigns of Sikandar (1489-1517) and
Ibrahim Lodi (1517-1526), one Bahloli or dam, a copper coin (equivalent to one-fortieth of a
rupee), sufficient for the expenses of one soldier and his horse for a few days. Almost all the
cities both in the north and the south were stocked with the necessaries of life. The Persian
ambassador 'Abdul-Razzaq was astonished at the prosperity of the city of Vijaya-nagara.19
Paes says the same thing with regard to the other cities, towns and villages of north India. At
least seven cities like Agra, Fathpur Sikri, Delhi, Lahore, Ahmadabad, Gauda and
Vijayanagara were extraordinarily prosperous and had a population of two lakhs or more each.

Handicrafts industry declined when the disappearance of princely states. Father Monserrate who
stayed in India for a few years speaks of the great wealth and prosperity of Agra and Fathpur
Sikri. "All the necessities and conveniences of human life can be obtained here (Agra), if
desired. This is even true of the articles that have to be imported from distant corners of
Europe. There are great numbers of artisans, iron-workers and goldsmiths. Gems and pearls
abound in large number. Gold and silver are plentiful, as also are horses from Persia and Tartary. Indeed the city is flooded with vast quantity of every type of commodity. Hence Agra is seldom visited by dearth of food supplies." He says practically the same thing about Delhi which he praised for its public buildings, its remarkable Fort, its walls and a number of mosques. He says that "Delhi is inhabited by substantially wealthy Brachmane (Hindus).......rich men here constructed for themselves well-built, lofty and handsomely decorated residences." It was full of parks and gardens and "filled with a rich profusion of fruits and flowers...." During his journey from Fathpur Sikri to Lahore, Monserrate came across prosperous towns and villages. Writing about Lahore he says that "this city is next to none, either in Asia or in Europe with regard to size, population and wealth. It is crowded with merchants, who foregather here from all over Asia. In all these respects it excels other cities, as also in the huge quantity of every kind of merchandise, which is imported. Moreover, there is no art or craft useful to human life which is not practised there." In fact this careful observer was filled with amazement at the prosperity in Northern India. The cheapness of grains in Akbar's camp in his journey to Lahore surprised him. Ralph Fitch, who visited several parts of India, found in the course of his journey (1583-1591) all kinds of food grains and other eatables, cotton cloth and other necessaries of life, in plenty from Diu to Agra, from Agra to Satgaon and Chitta-gong in Bengal and to Pegu, and from there to Southern India and to Ceylon. Everywhere his eye met with plenty. Another European traveller, named William Finch, who visited India during 1608-1611, also praised the prosperous condition of the country.

Despite recurring famines here and there, there was, taking the entire country in view, no dearth of food grains and other necessities of life. India was, generally speaking, prosperous
during the Mughul age. The ruling class rolled in wealth and luxury. The middle class people, consisting of zamindars (to use the word in the modern sense), merchants and the lower rank of the official staff and other employees of the same category, were fairly well-to-do. The masses and the inferior artisans were, on the other hand, poor; but they did not starve except in times of drought and scarcity. There was a fairly accurate statement of the salaries of troops and skilled and unskilled labourers and also of the prices of food-grains and other commodities in the Ain-i-Akbar, written at about the end of the 16th century. The daily wages of ordinary labourers were 2 to 3 dams, i.e., 3 to 4 pice or 5 to 7 paise in terms of the present decimal currency. The payment made to a slave per day was one dam, i.e. 2 paise of the current decimal currency. The ordinary labourer, got two dams a day; a bamboo-cutter, too, was paid 2 dams daily; a thatcher was paid 3 dams a day; a water-carrier 3 dams; a water-carrier of inferior capacity 2 dams; a brick-layer of first class 3 dams and of second class 2 dams." In Jahangir's time, the monthly wages of servants were 2 to 3 rupees. The wages paid by the Dutch factory at Agra in 1636 were 3 rupees per month for servants, porters, and sohish (horsemen) and Rs. 5/- for the sweepers and the watermen. In South India, at the Masulipatam factory, servants received Rs. 2/- monthly in 1602, and at Bombay the daily wages of labourers in 1674 were 3 pice (5 paise in the modern decimal currency).

During the Akbar's reign, Mughal Empire had £17.5 million, in contrast with the entire treasury of Great Britain in 1800 which had total £16 million. The gross domestic product of Mughal India in 1600 was about 22.6% of the world economy in comparison to Ming China's 29.2% share. In the time between 1675-1700; the uniform tax administration was enforced for the whole South Asia. In between 1700-1725 the deadline of the Mughal Empire and Chaos in India, resulted a decline in the economic situation. In 1725, it was estimated at about 90% than that of China in
gross domestic product. In the 16th century the gross domestic product of India was estimated at about 24.5% of the world economy, in comparison to Ming China’s 25% share. By 1700 the Mughal Empire expanded to almost 1000 million acres which means 90% of South Asia and the unified custom and tax administration system was enforced. Annual revenue reported by the emperor Aurangzeb 100 million in 1700 which was twice than that of Europe. Therefore India emerged as the world’s largest economy followed Ming China and Western Europe.23

**Nawab, Maratha and Nizam Rule:**

During the period of 1725 to 1775 in North India Mughals were replaced by Nawabs. In Central India the Marathas and in South India the Nizams were come into existence. However, the Mughal tax administration system remained intact. At that time the domestic product estimated 80% than that of China and in 1775, the rate was 70% than of China. The administrative system was unchanged in Maratha rule. Maratha Kingdom expanded over 250 million acres (35% of India). At that time China was the world’s largest economy followed by India and France. Two-third of the civil-services was still dominated by Muslim officers during this period. Under the Maratha rule the Indian economy was plunged into a state of political insability due to war and conflict.24

Krishnaji Anant Sabhasad writing at the end of the 17th century mentions "On Shahu’s return to Satara he set up a mint at Satara from which gold, silver and copper coins were issued. The Kolhapur Raja established a mint at Panhala. Peshwa Balaji Rao granted licenses to private persons to coin money in consideration of a small fee to the State."
COLONICAL PERIOD:

India had been conquered several times before the British conquest, but the invaders like Portugese, etc. settled in India. The differences of the British conquest lies in the fact that it led to the emergence of a new political and economic system whose interests was rooted in a foreign soil and whose policies was guided solely by their own interest. The British tried to keep a distance between them and the Indian people and thus created the distinction erstwhile not known to Indian history - the foreign rulers and Indian subjects.

The British Rule can be classified into two periods. First the East India Company Rule from 1757-1858, and second, the Rule of the British Government in India from 1858-1947. It was a slow and lengthy processes and the Britishers was ruled more than 150 years in Indian soil.

* East India Company Rule: 1757-1858: The main motive of the Britishers was to exploit the Indian resources for their advantages. They shifted the trade with rest of the world. They established the developed system of railways, telegraphs and legal system. The British concentrated that the Indian economy, trade and commerce and industrialization should not flourished, and made it stagnant in the developmental process. Illiteracy was another factor, which resulted the economic backwardness in India. The common subjects of frequent famines resulted the lowest life expectancies and malnutrition. The Britishers was not interested in any mind of development for India. They were only to utilize their techniques of manufacturing goods, where from India they need the raw materials for their Industries. During those days, the main motive of the British regime was to transform the Indian economy as a primary producing country, concentrating on the production of raw materials and to create a potential market in
India for the sale of their industrial finished goods. They introduced new land revenue system in India. The companies rule resulted a total drained in the economic system of India. The economic consequences of British conquest, mainly hampered the growth of smack and cottage industries.\textsuperscript{26}

**The consequence of the British rule in India:**

*Decline of Handicrafts industry:*

Before the industrial revolution occurred, India exported goods, textile, Spices, etc. to Europe, where these articles were in great demand. But after the Industrial revolution, the whole picture changed the Indian foreign trade. Expansion of production capacity of manufacturers resulted a high demand of raw materials for British industry to capture the foreign markets. They firstly crushed the Indian manufacturers and on the other hand efforts were made to commercialise agriculture for exert of raw materials. The handicraft industries were destroyed, and these have certain cause behind it. Before the British rule, the rajas, emperors, courts were designed by artisans, decorate and displays but the emergence of Britishers declined these industries.

The Britishers were always guided by their own interests and did not bother to consider the effects of their policies on the people of India in terms of unemployment, famine, human sufferings, etc. Heavy invasion of machine resulted the high emergence of raw materials. Therefore the raw materials were needed heavily, whereas the finished handcrafts products were not exported to England. The strategy of free trade followed by the British had ruined the age old Indian textile industry as this industry could not stand in the competition with the machine made textile produced by the British.\textsuperscript{27} The growth of cotton textile imports into Britain via the East India Company from the 17\textsuperscript{th} century opened up new opportunities for
British manufacturers via a strategy of import substitution and re-export substitution, as the new cloths patterns and designs became increasingly fashionable. However high silver wages in Britain as a result of high productivity in other tradable goods and services, which means that British manufacturers could not use labour intensive in Indian production system.\textsuperscript{28} Broadberry and Gupta (2005) show that an unskilled labourer in India earned little more than 20 per cent of the English unskilled wage as early as 1600, when Indian wages are converted to pounds sterling at the prevailing exchange rate. Low Indian wages acted as a spur to labour saving technical progress in the British cotton textile industry. As British productivity increased, a point was reached where Britain’s higher wages were more than offset so that unit labour cost were lower in Britain and reversal of competitive advantage occurred.\textsuperscript{29}

With the spread of education, a new class grew in intimate who was keen to imitate western dress, manners, fashions and customs. It diverted the form and pattern of Indian culture. The destruction of Indian handicrafts caused severe economic consequences. It led to unemployment on a vast scale. The decline in the handicraft industry forced the artisans to shift in agriculture and the population was only depended on land.

In 1800 the East India Company’s treasury reported that their annual revenue was £111 million. This needs to convert to Indian rupees with the falling price of rupee to assess the impact on Indian economy. Almost all the Indian land revenue was diverted by the company to help the British Crown defend herself in the war with Nepolean. During 1800-1825 China was the world’s largest economy followed by India and France. The gross domestic product of India in 1825 was estimated at about 50% that of China and British cotton exports reached 3% of Indian market by 1825.\textsuperscript{30}
**The Land system during 1793-1850:**

The impact of the British rule in India, introduced a new land system. Land revenue was the principle source of finance for the East India Company. They introduced land settlement in 1793, and permanent settlement was introduced. A vast change occurred in Indian economy by the introduction of such settlements. India becomes an exporter of foodstuffs and raw-materials and an importer of manufacturers. British capital interested to take up direct investment in Indian consumer goods industries to acquire a major portion of the profits through various malpractices and to force India to pay the cost of British administration as well as to finance the wars and expeditions undertaken by the British Government.

The Britishers pressurized the Indians to export indigo and forced the farmers to cultivate and sell the indigo plant at a very low price, to have a fabulous profit from it. They also exploit the artisans, to deliver cotton and silk fabrics much below the market price. The world wide reputation of cotton and silk of India, mode the Britishers tempted to have a large profit for it. They take it in a much lower price, and exported it in a high value to get a larger profit. Exploitation of the import and export duties to destroy the lead of Indian goods in the world market, which affected the British market. They tried to aim the interests of British industries and ultimately succeeded in penetrating the Indian market by the machine made goods. Later on, British capitalists gradually developed various industry like, jute, tea, coffee, cotton and textiles, paper and paper pulp, sugar etc, in India only due to Geographical reasons. Pt. Jawahar Lal Nehru once told, “India was under an industrial capitalist regome but her economy was largely that of pre-capital period minus many of the wealth-producing elements of that pre-capitalist economy. She became a passive agent of modern industrial capitalism suffering all its ills and with hardly any of its advantages.”
The period in between 1775 – 1850, the Company introduced tax administration reforms in fasts expanding empire over 250 million acres. The productivity of India in 1800 was estimated about 60% than that of China. The productivity rate falls down in the next 25 years by 50% and 40% in between (1825 – 1850).

Industrialisation was started by the British in the 19th Century. The Britishers were more interested in their profits and not in accelerating the economic growth in India. Indian joined the rank of industrialists in the middle of 19th Century and their role grew throughout the period continuously and steadily. Those indigenous business groups and who took to industrial ventures were the Parsis, the Gujaratis, the Marwaris, the Jains and the Chetiaras.

In the last quarter of the 19th Century there were huge turns over in the industrialization in India. By the end of the 19th Century there were 194 cotton mills, 36 jute mills and coal production had risen to over 6 million tones per annum in spite of the very rapid increase of industrialization and the fact that the foundations for the development of modern industries for the utilization of coal and iron resources were led by the end of the 29th Century. India was being gradually converted into an agricultural economy of the British. By 1900, India had become a great exporter of rice, wheat, cotton, jute, oilseeds, tea, etc. and the importer of British manufacturers. In this way India had become an appendage of the British Colonial rule.

In the beginning of the 20th Century the industrialization was slow growing but steadily existing. The outbreak of the First World War-1914, were resulted to set up of 70 cotton mills and 30 jute mills along with the coal production were more than doubled. Railway extension rate was 800 miles per annum. The foundation of iron and steel industry was finally laid during this period. The war created enormous demand of factory goods in India. The production of iron and steel,
leather goofs, cotton, woolen, textile increased, but the absence of heavy industries and of the machine tools industry could not developed fast.

The outbreak of the Second World War in 1939 created very urgent demand for manufactured goods. The existing industries expanded rapidly. The increase in industrial output in between 1939 – 1945 was about 20%. Trade policies were used against India by the British Government to drain away the India wealth and expands industry which resulted a decline in economic. The investments were undertaken by the British multi-nationals operating through their subsidiaries. Some of this investment took the forms of loan to the British Government in India, formed of sterling debts.

From 1875 – 1947, U.S.A. had the worlds largest economy followed by China, United Kingdom, Germany and India. From 1900 – 1950 the estimated gross domestic product rate, of India was about 10% to 7% respectively than that of U.S.A. Pakisthan resulted in fleeing across the border of thousand refugees was a considerable financial strain. The main cultivation of jute and cotton were grown in the east part of Bengal which became a part of East Pakisthan after the independence. So, after independence, the India had to employ land for food production to cultivate cotton and jute for mills.

Since 1950 India ran into a trade deficits that increased in 1960's. They could not lend the money from private sector or abroad, as it has some of its negative savings rate. As a result, the government issued bond to the RBI, which increased the money supply. The foreign aid, supply was the key factor for the liberalisation of trade with the foreign countries. The Indo-Pak War in 1965 led the United States and other foreign countries to withdraw all the foreign aid to India and had a friendly relation with Pakistan. In 1965–66, 24.06% was the total expenditure which
was the highest. The historians reveal that India’s share of the world income fell from 22.6% in 1700, to a low of 3.8% in 1952. The historians blamed the Colonial rule for the decline of Indian economy.

*POST INDEPENDENCE ERA TO TILL DATE:

After India got its independence, they were first to opposed and changed the economic growth in India. They took certain steps for the improvisation of import, industrialization, public sector, labour and financial markets, business regulation and central planning.

Jawaharlal Nehru, the first Prime Minister of independent India formulated a new economic policy. It expected outcomes of the strategies, because it involved public sector as well as private sector, and based on direct and indirect state intervention. The policy concentrates simultaneously in heavy industries as well as small cottage industries.

India had low average growth rate from 1947-1980. Moreover the structural economic disparities between the two complementary portion of India – India and rate at the time between 1965-89, resulted by this drought, to a severe devaluation of rupee. The economic growth in between 1951-1979 was at an average rate of about 3.1% an year. The inefficiency of the industrial business resulted an economic stagnation, Wars of 1962 with China, 1965 with Pakistan, 1971 with Bangladesh, currency devaluation in 1966, and flood of refugees from East Bengal in 1971, all jolted the economy. In table one gross domestic product and US dollar exchange values in rupees was discussed in various years.
TABLE-1: GROSS DOMESTIC PRODUCT AND US DOLLAR EXCHANGE IN RUPEES

<table>
<thead>
<tr>
<th>YEAR</th>
<th>GROSS DOMESTIC PRODUCT</th>
<th>US DOLLAR EXCHANGE IN RUPEES</th>
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<tbody>
<tr>
<td>1950</td>
<td>99,340</td>
<td>4.79</td>
</tr>
<tr>
<td>1955</td>
<td>108,730</td>
<td>4.79</td>
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<tr>
<td>1960</td>
<td>171,670</td>
<td>4.77</td>
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<tr>
<td>1965</td>
<td>276,680</td>
<td>4.78</td>
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<tr>
<td>1970</td>
<td>456,770</td>
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<td>7.86</td>
</tr>
<tr>
<td>1985</td>
<td>2,729,350</td>
<td>12.36</td>
</tr>
<tr>
<td>1990</td>
<td>5,542,706</td>
<td>17.50</td>
</tr>
<tr>
<td>1995</td>
<td>11,571,882</td>
<td>32.42</td>
</tr>
<tr>
<td>2000</td>
<td>20,791,898</td>
<td>44.94</td>
</tr>
</tbody>
</table>

Sources: Ministry of Finance, Government of India, Economic Survey, (various years), New Delhi.36
From the late 1980's India faced an economic deficit in the contemporary world, due to the collapse of Soviet Union, which was the prime partner of Trade with India. Another reason was the emergence of Gulf War caused spike in oil prices, major balance of payment crisis in India. The then Prime Minister Narashima Rao and his Finance Minister Manmohan Singh initiated economic liberation and allowed the foreign direct investments in many sectors. Since 1990 there were a continuous economic growth which increased the rate of life expectancies, literacy rates and food security. The economic reform in 1991 brought three broad areas, (a) Liberalisation, (b) Privatisation and (c) Globalisation. This trend marked an enormous change in Indian economy since independence.

In 1992-93 the private sector contributed 77.5% while the public sector was on the net of 22.5%. The Indian economy was hampered in 1997, due to the Asia Economic Crisis, in Thailand, Malaysia, Singapore, Indonesia, Japan, and Hongkong, South Korea. Many economists considered that Indian economy has not declined but having a slow growth. At the beginning of the 21st century India had got a turn over in the developmental process of economic growth.
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