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Study on India's Economic Growth Since 1951

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Abstract :-

After becoming a member of World Trade Organization (WTO), India entered the Era of world new economic order and initiated new economic reforms. It followed globalization, liberalization and privatization policies to achieve double digit economic growth rate. This model is popularly known as ' Narsimhrao- Manmohan Singh Economic Growth Model'. Based on past trends and new changes, this paper attempts to assess the impact of NMSEGM on future economic growth. India has participated both endogenous and exogenous models of economic growth. The endogenous model was in operation from 1956-57 till 1990-91 that placed economic growth rate at more than 5%. From 1990-91, the new economic reforms have followed the exogenous model that has raised economic growth rate to nearing double digit; but, the decadal economic growth rate has shown a declining trend. This paper attempts to assess the growth rate trends of Indian economy by using the measuring tool called ' Inclusive Growth' to get a fair and true picture.

Introduction :-

A number of search studies have been conducted by economists on economic growth in general and country-wise economic growth in particular. They have generated knowledge about the economic-growth concept, its determinants, measurement, policy and its effects. The main determinants of economic growth have undergone changes as per the requirement of the changing context and thinking the environment has to be assigned paramount position in defining 'economic growth' in the present day context.

The economic growth concept has made changes which suit the present day changes and its requirements. Gross Domestic Products or Gross National Products are not the sufficient indicator to define the economic growth of a country whether it is rich or poor. Instead of GDP the per capita income, poverty level, the life expectancy, the proportion of workers in agriculture and change in the physical quality of life also the indicators of the developed economy. The economic growth has to be included in the growth of resources including various environmental factors. The growth is inclusive of natural resources and growth along with ecological balance must be the measure of economic growth rate.

Objectives of the study :

1. To study the traditional measurement of economic growth rate
2. To study human capitalization and population growth aspects.
3. To give suggestions to achieve higher economic growth rate.
4. To redefine the term economic growth rate for developing countries.
5. To study other aspects of economic growth rate.

Review of Literature :

Arjun Pangannavar (2015) stated in his study on 'A study of Trends in India's Economic Growth Since 1951 : The Inclusive Growth Approach' and concluded that, there are different views on the meaning of economic growth but it is mainly concerned with the changes in a nations GNP over the specific period of time generally a year. The GNP comprises the total value of total production of goods and services produced from different sectors of economy by using resources and technology by a country's resident. It can be estimated or calculated either in terms of constant price or market price. If it is calculated in terms of constant or base year price it is known as Real Economic Growth. If it is calculated in terms of current market price it is known as Nominal Economic Growth .The real economic growth gives a real picture of the achievement of the economy with success or failure of either governance or policies or both.

Barro (1997) studied on 'Determinants of Economic Growth : A Cross-county Empirical Study' and concluded that, the concept of economic growth is a long run process which indicates increase in total national output or income in long run. The short run fluctuation in national output are considered as business cycle so economists draw a distinction between short term economic stabilization and long term economic growth. An increase in growth caused by more efficient use of inputs such as capital population or territory is called extensive growth. However now it is generally recognized that economic growth also corresponds to a process of continual rapid replacement and reorganization of human activities facilitated by investment and motivated to maximize returns.

Foley (1999) studied on 'Growth and Distribution': In the course of time a good number of theories have developed to explain the causes and effects of economic growth and measurement of economic growth rate. The mercantilists 'Bullionist Theory of Economic Growth' during the early modern times, had considered economic growth as increase in total amount of gold and silver under state control through expansion through expansion of trade and creation of colonies abroad. Later, the 'Bullionist Theory' supported increases the producing capacity of manufacturing industrie, so as to boost their exports abroad at low- price and avoid foreign competition with a view to establish their trade supremacy abroad. Under this theory of growth. the road to increased national wealth was to grant monopolies for instance Dutch East India company and British East India Company. This would give an incentive for an individual to exploit a market or resource, confident that he would make all of the profits when all other extra- national competitors were driven out of business. This theory of 'comparative advantage' would be the central basis for arguments in favour of free trade as an essential component of growth. The mainstream theory of economic growth states that with the industrial revolution and advancements in medicine, life expectation increased, infant mortality decreased, and the payoff to receiving an education was higher. Thus, parents began to place more value on the quality of their children and not on the quantity.

Saunders (1992) studied on 'The Khazzoom-Brookes postulates and neoclassical growth' : Energy Consumption and Efficiency Economic Growth Theory recognize that energy consumption and energy efficiency were important historical causes of economic growth. Some of the most technologically important innovations in history involved increases in energy efficiency which include the great heat, the reduction in friction and the transmission of power. The economists Daniel Khazzoom and Leonard Brookes have independently put forward ideas about energy consumption and behavior that argue that increased energy efficiency paradoxically tends to lead to increased energy consumption.

Research Methodology :

Selection of Variables and Data Collection -

The variables selected to measure and analyses the economic growth of India since 1951 are GNP, Population, gross domestic savings, gross domestic investment, human capital investment and natural capital investment. These variables are also used to project economic growth rate for the year 2010-2021.This study is based on the secondary data collected from sources viz, Planning Commission of India Report (2001) Indian Planning Experience, .Ministry of Environment and Forests Reports, RBI Hand Book of Statistics of Indian Economy (2012-13).

Analysis and Discussion :

The British Government made Indian market for raw material to their industries and for the mill made goods of their industries. The Indian industries were completely ruined. So, after Independence. India was to rehabilitate its economy on the basis of such economic ideology that makes India a best domicile for millions of Indians to live strongly. Mahatma Gandhi wanted to establish 'Rama Rajya' in India through -

- The development of indigenous industries using various resources and technology and development of self-sufficient villages.

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- The first five year plan stressed investment for capital accumulation in the spirit of the one sector Harrod Domar Model.
- The most fundamental criticisms came from Mahalanobis who himself was working with a adaption from 1951 to 1952.
- The criticisms were mostly around the models inability to face the real constraints of the economy and ignoring the fundamental choices problems of planning over the time and the gap between the connection of model and the actual selection of the project for government expenditure.
- The industrial revolution had brought economic transition whereby the economy make the various changes in the agricultural character to industrial character and its rural development which raised the agricultural production and heavy investment in these sector.
- After formation of World Trade Organization (WTO) India is becoming signatory at inception, India has entered the era of world in new economic order and initiated new economic reforms.

We now analyze Indian's economic growth during 1951-52 to 2010-2011 by using macro-economic variables viz; Gross National Product (GNP), Population (P), Gross Domestic Savings (GDS), Gross Domestic Investment (GDI), Human Capital Development (HCD) and Natural Capital Development (NCD). Table 1 shows the actual trends of these selected macro-economic variables and the decadal growth rates.

Table 1: Decadal Growth Rate of Selected Macroeconomics variables of India during 1951-2011 (at 2004 -05 Price)

(Rs. in crore)

Va rables	19 51-52	19 60-61	19 70-71	19 80-81	1 990-91	20 00–01	20 10-11
G NP(Rs)	10 5.61	16 9.77	44 0.98	13 71.83	5 242.68	19 780.10	71 851.59
Po p(millions)	36 5	43 4	54 1	67 9	8 39	10 19	11 86
G DS (Rs)	10 .79	20 .79	68 .21	26 5.90	1 344.08	51 55.45	26 519.34
G DI (Rs)	12 .62	25 .60	25 .60	28 6.84	1 526.04	52 82.99	28 716.49
HC D(Rs)	29 .8	54 6	11 7.8	15 4.8	1 299.5	58 47	69 467.6
NC D (Rs)	1. 7	2. 44	18 .76	15 5.19	5 76.4	14 70.01	16 94.09
Decadal Growth Rate							
A	-	0. 6075	1. 5975	2. 1109	2 .8217	2 7729	2. 6325
B	-	0. 1836	0. 2465	0. 2551	0 .2336	0. 2145	0. 1639
C	-	0. 9768	2. 2809	2 8983	4 0548	2 8357	4. 1439
D	-	1. 0285	1. 8186	2. 9756	4 3202	2. 4619	4 4357
E	-	0. 8322	1. 1575	0 3073	7 3947	3. 4994	10 8808
F	-	0 4352	6 6885	7. 2723	2 7141	1 5503	0 1524

Sources:
1. Planning Commission of India Report (2001);Indian Planning Experience
2. RBI: Hand Book of Statistics of Indian Economy (2012-13).

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3. Ministry of environmental & forests reports.

Findings :

(1) India's GDS (S) shows a rising trend: The decadal growth rate has remained higher than the decadal GNP growth rate & the gap between the two has been widening in recent years. The GDS decadal growth rate has increased from 0.9768 in 1960-61 to 4.058 in 1990-91 but it has started declining gradually to 2.8357 in 2000-01 and once again increased to 4.1439 in 2010-11.

(2) The population decadal growth rate increased from 0.1836 in 1960-61 to 0.2551 in 1980-81 but it started gradually declining to 0.2356 in 1990-91 and 0.1639 in 2010-11. Initially the population policy including family planning program and later the impact of improvement in economic position of the people have lowered population growth rate; the decline in population decadal growth trend.

(3) Based on estimated trend value, to find out estimated GNP for 2020-21. Thus, India's GNP at 2004-05 prices may increase to Rs.295245.37 crore in 2020-21.

4) Economic growth has lowered the population growth rate in India: The decadal population growth rate has been remained lower to the decadal GNP growth rate and the gap between the two has been widening.

5) India's GDI shows a rising trend: The decadal GDI growth rate has remained higher than the decadal GNP growth rate & the gap between the two has been widening in recent years. The GDI decadal growth rate has been increased from 1.0285 in 1960-61 to 4.3202 in 1990-91 but it has started declining gradually to 2.4619 in 2000-01 and once again increased to 4.4357 in 2010-11.

Conclusion :

It is observed from the analysis that the GNP of India increased from Rs.105.61 Crore in 1951-52 to Rs.71851.59 Crore in 2010-11 at 2004 prices. When we compute its decadal growth rate, initially it increased from 0.6075 in 1960-61 to 2.8217 in 1990-91 but it declined gradually to 2.6325 in 2010-11. This means that GNP of India, at 2004-05 prices, increased gradually, and had upward trend, during 1951-52 to 1990-91; it shows Nehru- Mahalanobis Economic Growth Model (NMEGM) worked successfully to place Indian economy on growth track. The period from 1950 to 1980 was crucial for the Indian economy because it witnessed strong economic policies, programs and measures such as industrial policies, land- reforms, public sector growth, controlled expansion monetary policies, budgetary policy, social control, population policy, and export or peril trade policy.

The GNP decadal growth rate start declining; but when we take economic growth in terms of population, capital investment, human and natural capital investment it was higher during 1991-2001 (14.36%). This was because of the sector growth in the fields of Information Technology and Bio Technology (ITBT). The global recession of the first decade of 21th century adversely affected the Indian economy which lowered the inclusive economic growth during 2001-2011.

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