

A Journey of Socialistic Pattern of Society to Globalisation and then to “Aatam Nirbhar Bharat”

Preeti Rustagi

Research Scholar, K R Mangalam University, Gurugram

Dr D R Agarwal

Professor Emeritus, Starex University, Gurugram

Introduction:

According to Pt. Jawahar Lal Nehru “Indeed some kind of chart might be drawn up to indicate the close connection between the length of British rule and progressive the growth of poverty. That rule began with outright plunder and a land revenue system that extracted the uttermost farthing not only from the living but also from the dead cultivators. It was pure loot”

Abstract:

After a long struggle of freedom movement ultimately the day came on 15th of August, 1947 when India got independence with a partition of the country along with a deep-rooted conflict between two communities, division of resources was not honoured by one country. The heavy influx of refugees from their own country resulted in a problem of their rehabilitation and relief. There was a shortage of food and other resources because we inherited a crippled economy with stagnant agriculture peasantry steeped in poverty. A planned programme of development was started in poverty. A planned programme of peasantry steeped in poverty. A planned

programme of development was started by launching a series of five-year development was started launching a series of five-year plans under the guidance of the central planning authority (Planning Commission set up in the Year 1950) intending to set up a socialistic pattern of society based on the Nehruvian Model. As the result, the public sector gained commanding heights in the economy without proving its accountability and transparency and this led to an unprecedented foreign exchange crisis. It was a time when we moved from a period of controls and regulations to an era of economic reforms (Liberalisation + Privatisation+ Globalisation) that is the adoption of market economy and privatisation free from controls and regulations. This was observed as a period of Vasudhav Kutumbkam that is the whole world was a global village. In the second term of the Modi Government (2019-24), there has been a shift of emphasis from globalisation to a self-reliant economy that is Aatm Nirbhar Bharat (Vocal for local). Thus, our journey started from establishing a socialistic pattern of society has reached a self-reliant economy – may it be because of Covid -19 pandemic in phases and the basic problems remain to be

addressed. This Paper highlights the whole journey of the Indian Economy.

Keywords: *socialistic pattern of social market economy and price mechanism and self-reliant economy.*

Introduction: Economic growth is a function of economic factors like natural wealth, human resources, physical and human capital, organizational enterprise, technology etc. and non-economic factors like social institutions, political conditions, moral and ethical values etc. The wise words of Dr Manmohan Singh are worth to be quoted “we should not assume there is a divine destiny which will ensure India continues to flourish and prosper howsoever we mismanaged our affairs. Great nations like the Soviet Union have perished and disappeared from the surface of the earth. If the Indian polity is not well managed we ought to realize a similar danger could overtake us... I am not saying this is on the cards right away or it is inevitable but if we continue to mismanage our economy if we continue to divide our country based on religion, caste and other sectarian issues.”

(An interview Dr Singh gave the BBC in 1999 – quoted from a write up “the wise word of Dr Manmohan Singh by Karan Thapar (Quoted in Daily HT 23rd of May 2021, Page 8). Hence institutions those govern the economy are very important and good governance is the result of these words when growth term is taken in broader sense, it is equal to development (Quantity + Quality) meaning by an increase GDP for a continuous and steady increase in national income and it is reflected in people’s high standard of living better food and housing improved education and medical facilities advancement of means of transport , communication and information technology reduction in poverty , unemployment and inequalities in the distribution of income and social and political power, expansion of

opportunities and awareness, empowerment of women and men also with positive outlook for gender sensitisation , social welfare and social security of the marginalised section of the society , increase in productivity and change in production functions with advancement of science and technology through research and development, sanitation, quality of life with human dignity , promotion of human skills and employability, no discrimination on the lines of caste , religion , region , gender etc. and above all sustainable development that is natural wealth is meant not only for the present generation but also for the coming generations. Hence growth is a multi-dimensional concept and it should not be judged based on a few indicators (average life expectancy, GDP growth rate etc.)

For economic growth, there are certain basic requirements known as social and economic overheads to motivate Direct Productive Activity. Private enterprises in neither willing nor capable to undertake such projects because of the high gestation period and low profitability. Such projects are therefore initiated by the govt. and when these projects are completed, direct productive activities are executed by a private enterprise.

Planned Programme of Development

The planning commission was set up as a central planning authority to assess the resources of the country and these resources were channelized in different sectors as per the set priorities of different sectors according to guidelines the objective was to achieve the set targets within the stipulated time frame. The planning strategy was determined in such a way that the basic objective of establishing the socialistic pattern of society is achieved as per the Nehruvian Model. The first five-year plan (1951-56) started under stress and strain because of post-war repercussions and the consequences of partition. But still, the targets

set under the plan were achieved. That is why the second five-year plan (1956-61) was formulated in an atmosphere of economic stability. Thrust was on the development of heavy and key industries in the light of the industrial policy announced by the Govt. in 1956. This plan was based on an economic model given by Prof. Mahalanobis. The third five-year plan (1961-66) started at a time when the economy had already entered the take-off stage. Target was to establish a self-reliant economy put the major constraint was the rate of growth of agricultural productions one of the limiting factors. Indo – China conflict in 1962 and the Indo-Pak war in 1965 changed the whole scene from only development to defence and development.

A planned holiday was observed by launching three annual plans (1966-69). On account of two severe drought conditions devaluation of Indian rupee on 6th June 1966, a situation of stagflation in the economy and also the bitter lessons because allies refused to supply essential equipment and raw materials as a consequence of post-war situations. Fourth Five Year (1969-74) started with two principal objectives of growth with stability and progressive achievement of self-reliance with a provision of national minimum for weaker sections of the community Fifth Five Year Plan (1974-78) started at the time when the country was facing an acute economic crisis arising out of inflationary pressures generated because of a big hike in oil prices since Sept. 1973...This plan was terminated at the end of the fourth year because of the change in Govt. at the centre.

The Janta Party's sixth five-year plan model (1980-85) was totally against the Nehru model of growth because they believed in the concept of decentralised planning. Congress again came to power in 1980 and a new draft of the sixth

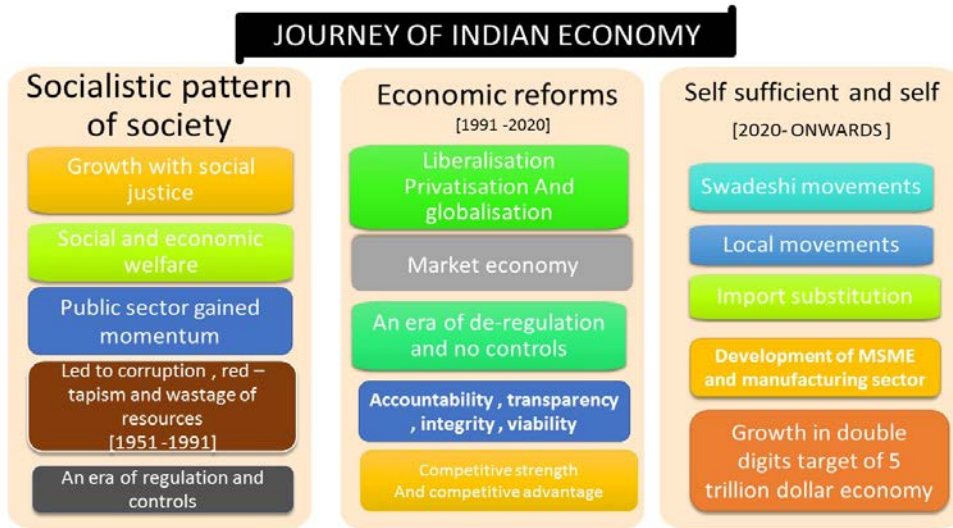
five-year plan (1980-85) was introduced by bringing back the Nehru Model of growth. The 7th five-year plan 1985-90 started at the time when the Indian economy attained a reasonable rate of growth of 5.4 per cent and this plan was aimed at accelerating the growth of food grains production and increasing employment opportunities.

During the 8th five-year plan 1992-95, the Narasimha Rao Govt. initiative the process of economic and financial reforms.

A thinking process started about accountability, viability, transparency etc. of the public sector. The draft of the 9th five-year plan was prepared under the United front govt. in March 1998. But it was modified and implemented w.e.f. April 1999 with its focus on growth with social justice and equality

10th five-year plan 2002-07 draft was prepared to address the problem of equality and social justice targets were reduction of poverty ratio by 5 percentage points by 2007. The NDC approved the approach paper of the 11th five-year plan 2007-12 entitled towards faster and more inclusive growth and directed the planning commission to prepare a detailed plan because of the deterioration of the world economy. The growth rate during 2012-13 was only 6.5- 7 %. Hence it was observed again that the GDP growth rate of 9 % during the plan period was not possible.

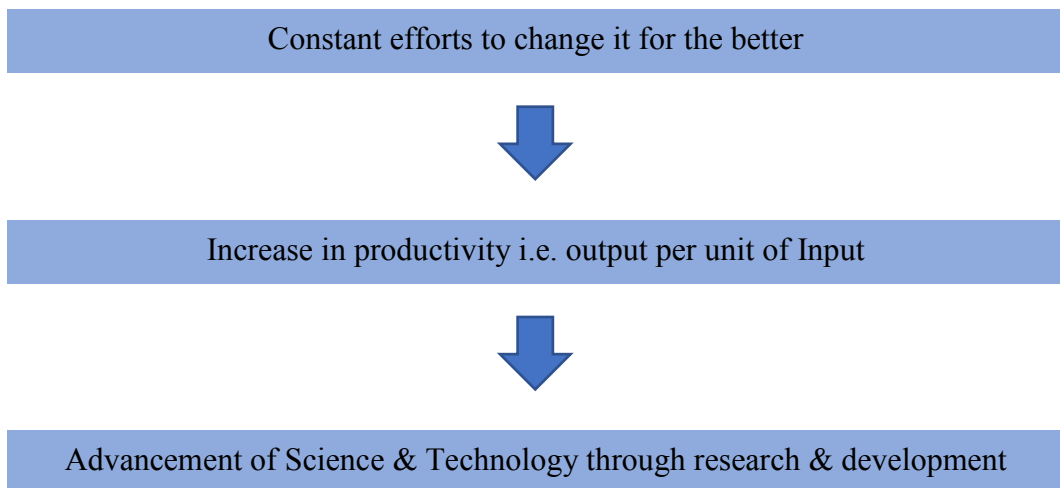
A new chapter started in the history of Indian polity when there was a change of the govt. at the centre in 2014 when a single political party got the absolute majority. Here there was a question mark on the existence of planning commission a revolutionary change was brought by creating a think tank in the name of NITI Aayog.



$$\text{Output} = f(\text{Inputs})$$



Production Function



Literature Review

The ultimate goal of a state is to promote human welfare in the country. In the modern age, the state works as an important agent of

economic development, particularly in the underdeveloped countries like India at the time it got Independence (Characterised by low per capita income, poverty and starvation of masses, unemployment, poor money market and weak infrastructure) Simultaneously non-

economic factors like attitude to work, socio-culture factors like access to education healthcare and awareness etc. Good and efficient government, well-developed banking and credit systems awareness about the importance of planned family etc. we're missing. Hence in such economies state has to adopt a policy of interference in all the economic activities of the public, to regulate and control them. The economic problems in such economies are so complicated and important that they cannot be solved without the state's cooperation. The private enterprises highly being profit-oriented cannot entirely be held responsible for promoting human welfare by ignoring the economic activities of the individual in the society. State's participation in all economic activities is thus, essential for economic development, as also ensuring economic welfare and social justice in such countries. That is why states need economic planning to ensure the optimum utilisation of the resources of the nation. Economists believe that the economic problem of underdeveloped countries cannot be solved merely by free-market forces.

According to C P Kindleberger, "Price system is capable of producing changes at the marginal, the changes required in underdeveloped countries are structural and not marginal, the price system is inadequate to cope with the problems of underdeveloped countries.

Research Gap-

Classical economists believe that full employment was a normal situation in the economy and any sort of intervention in the economic affairs of an economy was considered as a positive hindrance in its smooth functioning. But the economic theory has been conditioned by environments as we recollect that. Prof. J. M. Keynes who himself was a student of Dr Marshall, came on the scene and recommended govt. intervention in

the economic affairs when UK and whole Europe were facing the problem of the great depression of the thirties when there was the problem of deficiency in aggregate demand. Since the environment has been ever-changing the political views about the extent and mode of state intervention in economic activity have also been changing. Communists believe that the state is an alive and powerful instrument for the achievement of economic ends. In 1991 India move to the policy of an open economy with the least controls and regulations. Again a pandemic of a very serious nature after about 100 years, has again changed the thinking process from the philosophy of no- govt. intervention to a self-reliant economy (now country first, rest afterwards).

Objectives:

1. To study the three phases of Indian Economy for Reforms and then to Aatm Nirbhar Bharat.
2. To analyse the change in basic indicators of Indian Economy after Covid-19 Pandemic (Period of thinking about a self-reliant economy).

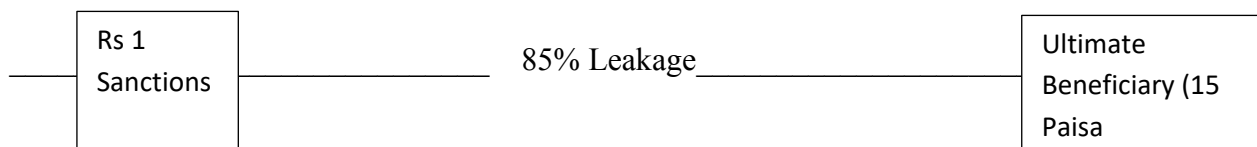
Objective 1:

The Indian economy has passed through a process of crucial change. For fulfilling the objective of establishing a socialistic pattern of society, the public sector was expected to be an engine of growth started with the creation being an engine of growth started with the creation of social and economic overheads (a basic requirement for the process of planned economic growth). Reducing poverty (Garibi Hatao), inequalities and unemployment etc. have been the main targets during the fourth and fifth five years plans. Nehruvian model of growth has been the main growth strategy except for a brief period when there was a change of the Govt. at the centre. There was a big step of nationalisation of major commercial banks in 1969 and abolition of privy purses and

other privileges of erstwhile Maharajas and Nawabs. In this way, the public sector gained commanding heights in the economy. Prime Minister Rajiv Gandhi in his first broadcast to the nation in 1984 said, “The public sector has spread into too many areas where it should not be. We will be developing our public sector to undertake jobs that the private sector cannot do. But we will be opening up more to the private sector so that it can expand and the economy can grow more freely. The Principal charges against the public sector were low rate of return on capital invested, declining

contribution to national saving poor capacity utilisation over staffing and bureaucratisation leading to excessive delays in decision-making process and wastage of nation scarce resources.

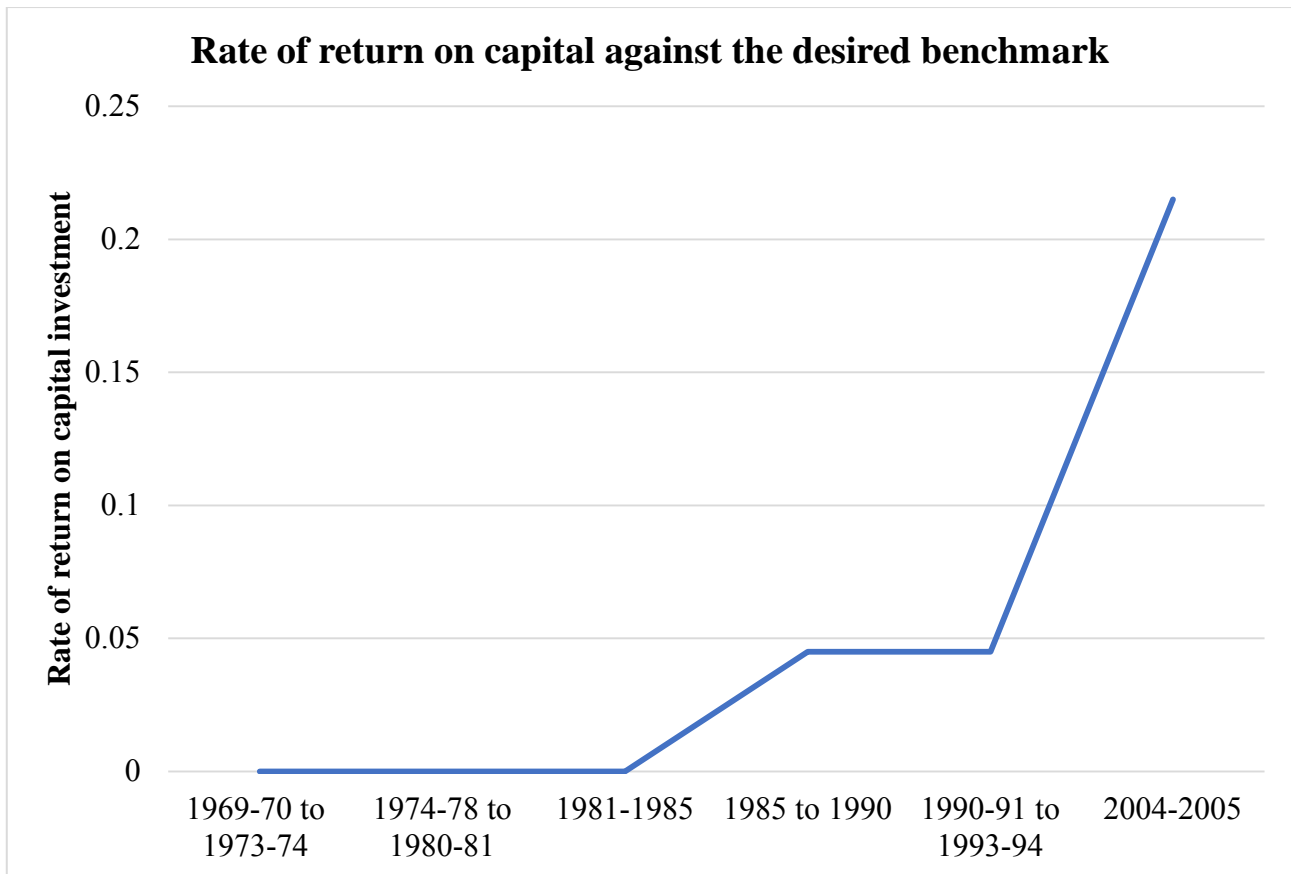
Everyone remembers our Prime Minister Rajiv Gandhi confession that pilferages and leakages were part of the system because one rupee sanctioned by the centre for the welfare of the poor, only 15 per cent reach in the hands of the ultimate beneficiary. This is the height of corruption in the system.



The table given below highlights the rate of return on capital against the desired benchmark of 12 per cent per annum

Table 1

Period	rate of return on capital Investment
1969-70 to 1973-74	4-6% (gross profit) (That is why critics painted a black image of the public sector)
1974-78 to 1980-81	12-13 % (as per the benchmark)
Fifth plan period	
Seventh term period (1985-90)	11-12%(marginally below)
1990-91 to 1993-94	Do
2004-05	21.5%
Source-Different Economic Surveys (GOI)	



However, the economy faced a deep crisis in terms of fiscal deficit, foreign exchange reserves increase in prices of Crude oil and thus generating inflationary trends in process and consequences thereof the economy was not in a position to pay for its petroleum products imports bill even for one-week requirements. On the other hand, there were drastic changes in international economic and political situations after the collapse and disintegration of the USSR and most of the economies in the world we're approaching privatisation. New Economic Policy was introduced by the then finance minister Dr Manmohan Singh in July 1991 L+P+G = Liberalisation+ Privatisation + Globalisation.

The main features were as follows:

- 1) Policy of liberalisation instead of Control
- 2) Declining the role of the public sector and encouraging the participation of the private sector.

- 3) Encouraging foreign investment through globalisation.
- 4) Comprehensive changes in trade policy in terms of reducing the tariff rates
- 5) Creating a more competitive environment in the economy as a means to increase efficiency and productively
- 6) Rationalisation of economic policies.

1 According to Stieglitz," "Globalization is the closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of lasts of transportation and Communication and the breaking down of artificial barriers to the flow of goods and services, capital knowledge and (to the least extent), people across borders (Stieglitz 2002b, Pp9) Employment

social institutions and Social well-being
"International Labour Review.

2) Economic globalisation constitutes integration of national economies into the international economy through trade direct foreign investment (by corporations and multinational), short term capital flows international flow of workers and humanity generally and flaws of technology!"

Bhagwate, Jagdish (2004) In Defence of Globalisation Oxford University Press, New Delhi (P)

Economic Reforms in the form of productivity improvement absorb of modern technology and fuller utilisation of capacity was carried-Rajiv Gandhi Regime (1985-90) where the 3 AL QUA of the New Economic Policy was a greater tale for the prevail.

Table 2

The growth rate of per capita income during 1860-1950	Period rate of growth %
1860-1885	1.1
1885-1905	-0.3
1905-1925	1.3
1925-1950	-0.1

The growth rate of per capita income

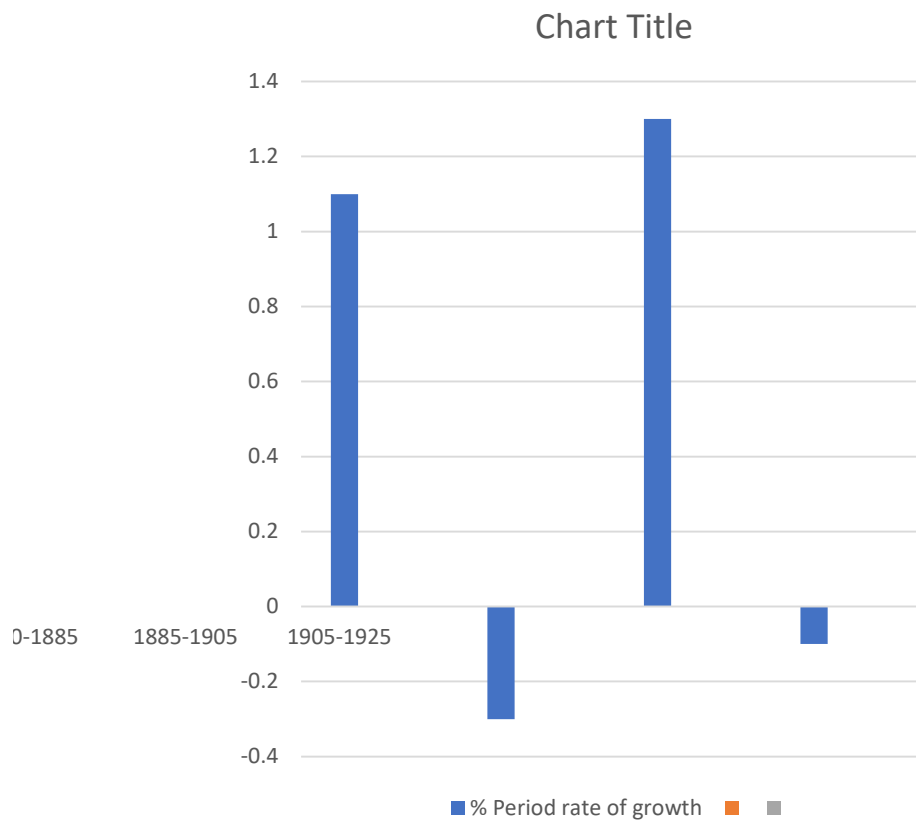
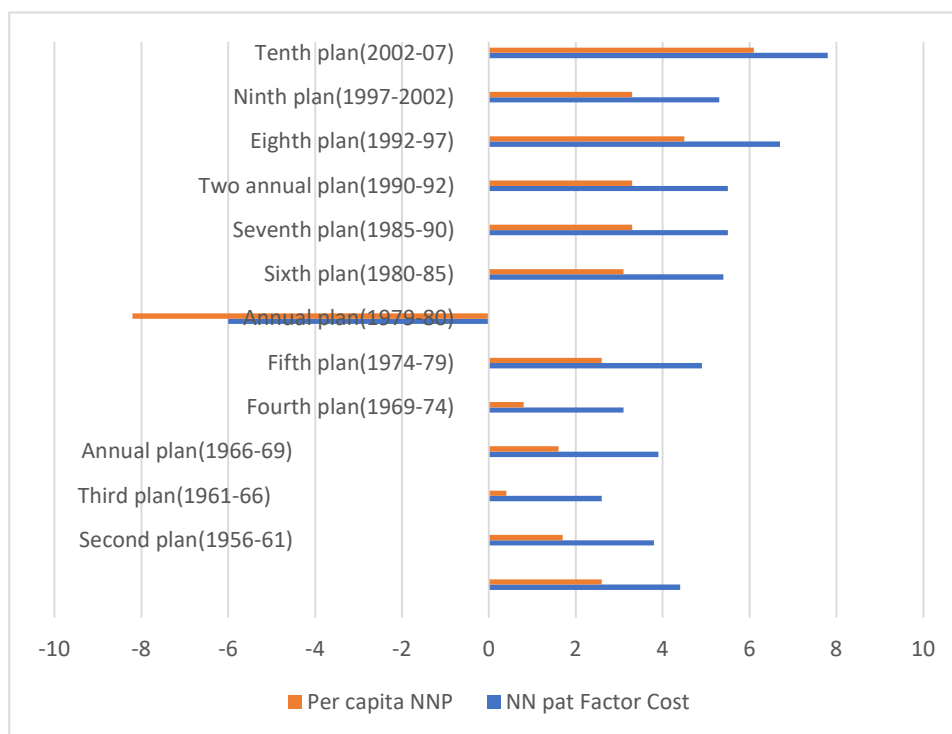


Table 3

The annual average growth rate in various plans

Plan	At 1999-00 prices	
	NN pat Factor Cost	Per capita NNP
First plan(1951-56)	4.4	2.6
Second plan(1956-61)	3.8	1.7
Third plan(1961-66)	2.6	0.4
Annual plan(1966-69)	3.9	1.6
Fourth plan(1969-74)	3.1	0.8
Fifth plan(1974-79)	4.9	2.6
Annual plan(1979-80)	-6.0	-8.2
Sixth plan(1980-85)	5.4	3.1
Seventh plan(1985-90)	5.5	3.3
Two annual plan(1990-92)	5.5	3.3
Eighth plan(1992-97)	6.7	4.5
Ninth plan(1997-2002)	5.3	3.3
Tenth plan(2002-07)	7.8	6.1



[Table 2(a)] depicts a picture of colonial rule when India could not show a substantial rate of growth in per Capita income because their

policies were formulated in such a manner to serve the interests.

(Table 2(b)] clearly shows that during the programme of planned economic development India prepared a clear, Cut road map after breaking the vicious circles of poverty and backwardness to move on the road leading to the overall development.

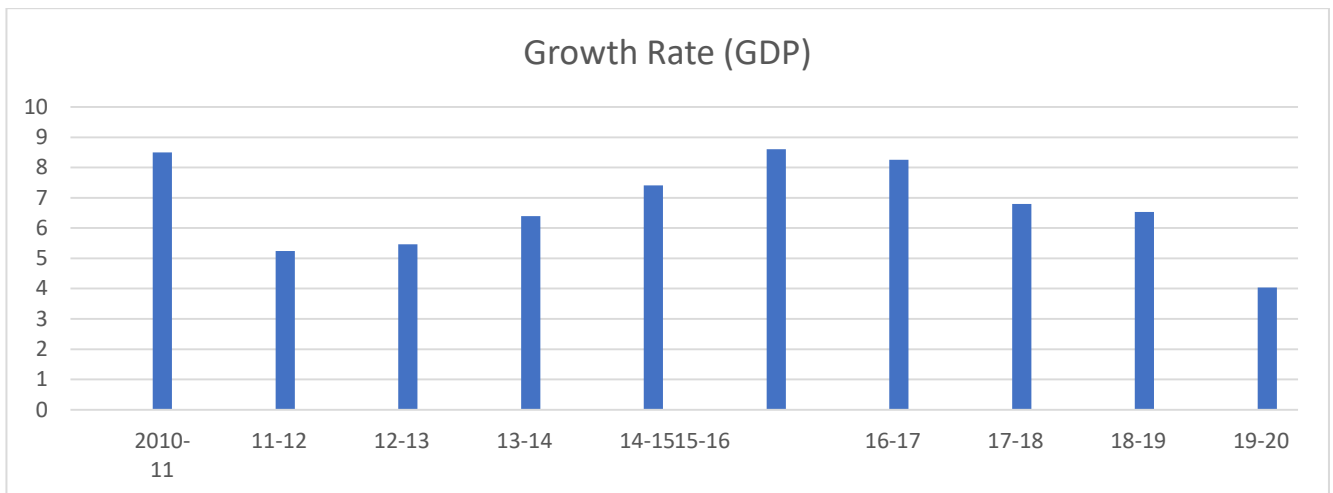
[Table 3] Confirms that the journey of the growth process has not been very smooth in India. If we look at the graphic presentation of the annual average growth take in NNP at

factor cost (known as national income) and per capita national income, there are Cyclical fluctuations along with a negative growth rate in the year 1979-80. But it goes without saying that after the adoption of the new economic policy (regime of least regulations and controls in the economy in the form of privatisation and working of market focus there has been a significant positive change in the national economy.

Table 4
annual GDP growth (percentage points)

Year	Growth Rate (GDP)
2010-11	8.5
11-12	5.24
12-13	5.46
13-14	6.39
14-15	7.41
15-16	8.00 →
16-17	8.26 →
17-18	6.80
18-19	6.53
19-20	4.04

These two years gave us a sign to put India in the category of the fastest developing economy and to put an ambitious target of making the Indian economy to be a \$5 trillion economy by 2024 to 25



Objective 2-[A Self-reliant [economy]- In Aug 2020, the govt. Started a self, Reliant movement that is Aatm Nirbhar Bharat Abhiyan to give a boost to indigenisation with active public and private partnership for fulfilling the twin objectives of self-reliance and promoting exports, (the old Concepts of export promotion and import substitution with the development of skills and technology]. We may take a shift of emphasis on the integration of national economies into one global economy to a self-reliant economy Policies formulation and different movements are always based on the business energy environment and other factors too. It is necessary to examine the key indicators during Fy-21 and the estimates for FY-22.

Rate of GDP Growth during 2020-3 and the estimates for 2021-22- During the fiscal year 2020-21, the Country had to face a harsh lockdown of 68 days (we may subtract 7 days of the fiscal year 2019-20 from March 25, 2020, to March 31, 2020, after getting the first Wave of Covid-19 pandemic and subsequent restrictions and regulations along with the migration of millions of migrant labour face to their native places that too on foot or cycle with their children in the leap & luggage on their heads. Economic activities came to an end and much of the damage was wrought in the first two quarters.

Table-5

Financial Year 2020-21	GDP Growth Rate
Q1	-24.4
Q2	-7.4
Q3	+0.5
Q4	+1.6

Overall contraction= -7.3% against the estimate of 8 percent.

RBI expects because of the Second wave of Covid-19 pandemic during the financial Year 2021-22] to have only & Small 1 percentage point impact on the economy because it has projected that GDP growth would be faster in Q3 and 04.

Table 6

Real GDP growth projection 2021-22		
	April 2021	June 2021
Q1	26.2	18.5
Q2	8.3	7.9
Q3	5.4	7.2
Q4	6.2	8.6

Percentage point- previous forecast = 10.5%

Now reversed=9.5%

The figure of Q1 is surprising but since the growth rate has negative in 2020-21, that is why it is not a surprising figure RBI's monetary policy kept the policy rate unchanged (in their meeting held on 4th of June 2021) at 4% for the sixth time in a Row and indicated that it would continue to do whatever is needed to support growth (normally interest rate is increased when wholesale prices cross a moderate limit). The RBI's confidence index fell to a record Low with the second wave of employment. The current outlook on the economy end of Covid - 19 affecting people's current Situation Index (CSI) and the Future Expectations index FE9) both fell to an all-time low of 48.5 and 96.4 with the latest round of the Survey (a year ago they were 63.7 and 97.3]. It is bound to affect aggregate demand in the economy [Dally HT, June 5, 2021, p1}

Inequality and poverty and unemployment- have increased because contract intensive services have been badly hit. Corporate profits have surged because companies have been successful in cutting down on material and

labour costs. India's per capita annual income 2019-20 was as rupee 1, 29,968 (as per data published on 7-1-2021). Average is considered of the single numerical representative figure of the whole distribution, but this figure does not become a representative figure if there are large variations in the data set for example 80% of.

India's salaried workers earn less than Rs. 2000 per month (Roshan Kishore How rich can aid economic recovery post-pandemic, Daily HT, Dec 28, 2020, Page 11) Azim Prem Ji University's latest state of working India report, which was released on May 5, 2021, makes a convincing case that the Pandemic has agented the poor than the rich on jobs and incomes. According to the report, 230 million people fell below the income poverty line (a minimum wage of Rs. 375 per day) due to the pandemic otherwise 50 million people would have come above the poverty line. (That is an addition of 280 million people in the category of the poor) The cumulative income loss was higher among poorer households(27% for the bottom10%, loss of income was a loss of consumption) a hunger watch survey points out that in Oct 2020, one in three respondents reported skipping meals (sometimes or often) and 71% of the households reported a worsening in the nutritional quality of their food intake.

At least 15.33 million Indians lost their jobs in May 2021 erasing gains achieved since July 2020, a situation that may adversely affect consumer spending. The number of people employed fell to 375.45 million in May 2021 from 390.79 million in April 2021. India's urban unemployment rate has soared to almost 18% the highest in a year. The urban job lessens rate was 17.88 %. In the week ended May 30 three percentage points more than a fortnight ago when the unemployment rate was 14.71 %. The Labour force participation rate dropped to 35.69%. The week ended May 30 against 37% in the week ended May 16, 2021. Rural unemployment fell four percentage

points in the week ended May 30, from a fortnight ago. The national unemployment rate stands at 12.15 %. High inflation is putting a squeeze on rural incomes. Households in rural areas were more concerned about the rise in health expenditure because this concerned about the rise in health expenditure. After all, this time 200 waves affected rural India. Hence rural demand remain muted.

3. Sustainable development goals: NITI Aayog 's sustainable development goals (SDG) index was released on June 03, 2021. Overall India's score in the index- which evaluated how the country and its regions have been performing on social, economic and environmental parameters. The composite score for India improved from 60 in 2019-20 to 66 in 2021. This indicates that the country overall has progressed forward in its journey towards achieving the sustainable development goals (all members of the UN 2030 agenda for sustainable development at the heart of which were 17 SDGs (169 targets) National average being 66, where Chandigarh scored 79 and Kerala 75 and Bihar 52. Again there are variations. This shows that India is performing well in the composite development process.

India's rank has slipped from two places from last year to 117 on the 175 on the sustainable development goals adopted at the part of 2013 agenda by 193 UN members states in 2015 as per a new report released by the press trust of India on June 06, 2021.

4. Import of some items banned: the Central Govt. on 31st May 2021 notified a second list banning 108 defence items that cannot be imported. This is in continuation of a list of banning 101 items in August 2020. India's trade deficit narrowed to an eight-month low in May 2021 at 6.3 billion \$ as rising

external demand kept exports tickling and the pandemic caused imports to dip.....
 (Low demand for oil and gold)²

environment is optimistic and their machines and plants have excess capacity.

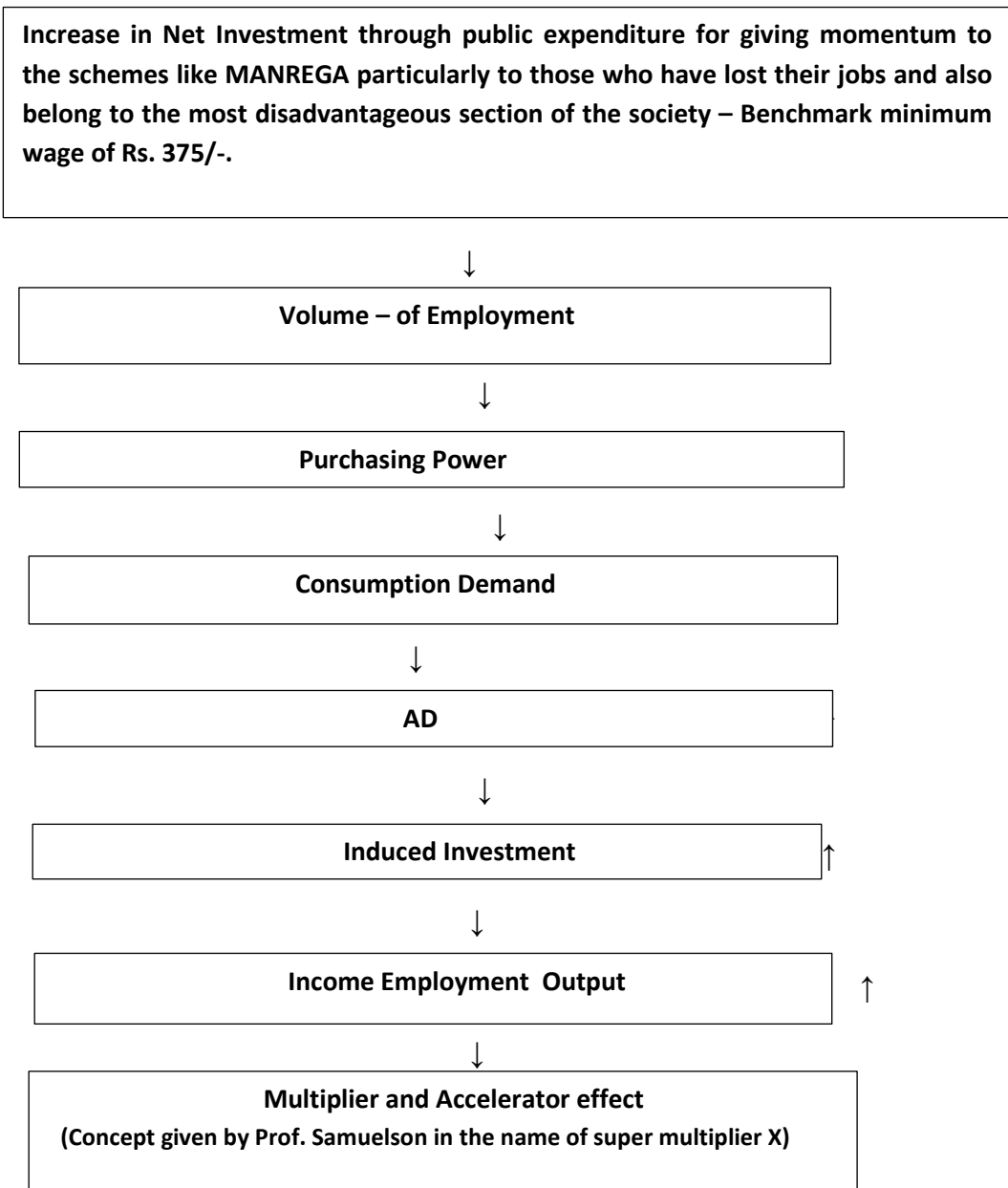
III. Govt. purchase of goods & services- Govt. has already for used on building our health care.

5. A D Shock – a short term problem

Aggregate Demand = C+I+G+(X-M)

- I. Consumption Expenditures- Decreasing because the persons whose prosperity to consume is high have either lost their jobs or there is a reduction in their income because of an increase in health expenditure.
- II. Private Investment – can increase only when the business

India’s rank has slipped by two places from last year to 117 on the 175 sustainable development goals adopted as a part of the 2030 agenda by 193. United Nations member states in 2015, as per a new report released by the Press Trust of India on June 06, 2021. It reminds the authors of the Keynesian strategy to overcome the short-run problem –Flow diagram explains.



Conclusion:

1. During the programme of planned economic development, India developed a road –map along with the social and economic overheads to motivate the Direct Productive Activities but the public sector gained commanding heights in the economy questioning viability accountability and transparency in the system.
2. Economic reforms gave us confidence for taking an ambitious target of making India a five trillion economy by 2024- 25 because the Indian economy gained the credit of the fastest developing economy.
3. The idea of a self-reliant economy can only be achieved when non-oil and non – gold import demand is also slashed. India develops its competitive strength in the global trade market.

Suggestions:

1. After having the two severe waves of Covid -19 pandemic and subsequent problems of beds, hospitals, medicines, O2, ventilators, vaccines etc. we have to develop our health care network etc. throughout the country (even in rural areas)
2. NEP (2020) has provisions on regular formative assessments, designed to test conceptual clarity, analytical abilities and competence in terms of critical thinking and development of soft skills therefore, its implementation is necessary for developing human capital as well as employability to reap the demographic dividend.
3. Several large and mid-sized commercial banks have aggressively written off large chunks of legacy bad loans in Q4 (2021-21) the quantum of loans written in Q4 (2020-21). The quantum of loans written off by tries the eight banks stood at Rs. 32852 Crore higher off by the eight banks stood at Rs. 32852

Crore higher than Rs. 23,894 Crore recovered by the same lenders in Q4 (Daily HT June 07, 2021 Page 11). This is a sort of devaluation of Indian ethical and moral values.

4. Environment degradation and pollution of all kinds have to be checked to keep nature and wealth intact.
5. Population planning has to be taken up seriously and it should be adopted religiously without any consideration of caste, creed, religion, region etc.

Limitations:

1. All analyses are based on certain assumptions, they may or may not hold good.
2. The question of the reliability of facts and figures has also come as a debatable issue.

Scope of further research

There are multi-dimensions of this topic, hence the scope is vast for further research work.

References & End Notes:

- The wise word of Dr Manmohan Singh by Karan Thapar (Quoted in Daily HT 23rd of May 2021, Page 8.*
- Bhagwate, Jagdish (2004) In Defence of Globalisation Oxford University Press, New Delhi (P)*
- People across borders (Stieglitz 2002b, Pp9)*
- Employment social institutions and Social well-being "International Labour Review"*
- Daily HT, Dec 28, 2020, Page 11.*
- Roshan Kishore "How rich can aid economic recovery post-pandemic" Daily HT, Dec 28, 2020,*
- Aiyar Yamini - Covid 19 and the disease of Inequality*
- K Nanda Prashant- 15.33 Millions lose jobs in May Daily HT 2-6-2021, Page 15*
- Sustainable Development Goals – Daily HT, June 04, 2021, Page 02*
- Asil- Ranjan Mishra- Trade deficit – falls in May , Daily HT 3-6-2021, Page 13*