

GDP THE BACKBONE OF INDIAN ECONOMY: AN OVERVIEW THROUGH AGES

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ABSTRACT

*GDP of a country measures summary value of goods and services generated in that relevant country. A country's gross domestic product, or GDP, is one of the ways for measuring the size of its economy. The economic history of India can be traced back to the Indus Valley civilization. The Indus civilization's economy appears to have depended significantly on trade, which was facilitated by transportation means. Around 600 BC, the Mahajanapadas punch-marked silver coins were minted and this period was marked by intensive growth in trade and urbanisation. By 300 B.C., the Maurya Empire united most of the Indian subcontinent, which paved way for a common economic system and enhanced trade and commerce, with increased agricultural productivity. During the rule of the Rashtrakutas, Hoysalas and Western Gangas, India is estimated to have the largest economy of the ancient and medieval world until 17th century AD, controlling between one third and one fourth of the world's wealth up to the time of Maratha Empire. According to economic historian Angus Maddison in his book *The World Economy: A Millennial Perspective*, India was the richest country in the world and had the world's largest economy until the 17th century AD. India has followed central planning for most of its independent history, which have included extensive public ownership, and trade barriers. After the 1991 economic crisis, the central government launched economic liberalization. India has turned towards a more capitalist system and has emerged as one of the fastest growing large economies of the world.*

Key words: GDP, Economy, History

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INTRODUCTION

The history of India begins with Indus Valley civilization during which economy depended significantly on trade. The people of Indus Valley Civilization used ships to reach Mesopotamia where they used to sell gold, copper and jewellery. Around 600 BC, the Mahajanapadas minted punch-marked silver coins. The period was marked by intensive trade activity and urban development. By 300 B.C., when Middle East was under the Greek Seleucid and Ptolemaic empires the Maurya Empire united most of the Indian subcontinent. The political unity and military security allowed for a common economic system and enhanced trade and commerce, with increased agricultural productivity. Between 1st and 17th centuries

AD, India is estimated to have had the largest economy of the ancient and medieval world, controlling between one third and one fourth of the world's wealth. During the Mughal period India experienced prosperity. The gross domestic product of India in the 16th century was estimated at about 25.1% of the world economy.¹

METHODOLOGY

My research paper is based on primary and secondary sources.

Observations

Urbanization is directly linked to the development of economic infrastructure of India. Though India primarily has been rural but with urbanization and springing up of new towns the economic set up also observed changes. If we trace the development of economics in India, we find that in ancient India much of India's population resided in villages, whose economy was largely isolated and self-sustaining. Agriculture was the predominant occupation of the populace and satisfied a village's food requirements besides providing raw materials for hand based industries like textile, food processing and crafts. Besides farmers, other classes of people were barbers, carpenters, doctors (Ayurvedic practitioners), goldsmiths, weavers etc²

Religion also plays a major role in the process of urbanization, which is linked to the economic growth. Religion, especially Hinduism and Jainism, played an influential role in shaping economic activities. Pilgrimage towns like Allahabad, Benares, Nasik and Puri, mostly centered around rivers, developed into centers of trade and commerce. Religious functions, festivals and the practice of taking a pilgrimage resulted in a flourishing pilgrimage economy.³

Srenis, since ancient times was an economic organization which controlled the finances. In particular, the sreni was a complex organizational entity that shares many similarities with modern corporations, which were being used in India from around the 8th century BC until around the 10th century AD. The use of such entities in ancient India was widespread including virtually every kind of business, political and municipal activity.⁴ Some ancient sources such as Laws of Manu VIII and Chanakya's Arthashastra have rules for lawsuits between two or more srenis and some sources make reference to a government official (Bhandagarika) who worked as an arbitrator for disputes amongst srenis from at least the 6th century BC onwards.

Punch marked silver coins, in circulation around the 5th century BC and the first metallic coins were minted around the 6th century BC by the Mahajanapadas of the Gangetic plains were the earliest traces of coinage in India. While India's many kingdoms and rulers issued coins, barter was still widely prevalent.⁵ Villages paid a portion of their agricultural produce as revenue while its craftsmen received a stipend out of the crops at harvest time for their services. Each village, as an economic unit, was mostly self-sufficient.⁶

According to economic historian Angus Maddison, India had the world's largest economy during the years 1 AD and 1000 AD.⁷ During the Maurya Empire, there were a number of important changes and developments to the Indian economy, the trade routes throughout India became more secure thereby reducing the risk associated with the transportation of goods. The empire spent considerable resources building roads and maintaining them throughout India. The improved infrastructure combined with increased security, greater uniformity in measurements, and increasing usage of coins as currency enhanced trade.⁸

During the Mughal period in the 16th century, the gross domestic product of India was estimated at about 25.1% of the world economy. An estimate of India's pre-colonial economy puts the annual revenue of Emperor Akbar's treasury in 1600 at £17.5 million (in contrast to the entire treasury of Great Britain two hundred years later in 1800, which totaled £16 million). The gross domestic product of Mughal India in 1600 was estimated at about 24.3% the world economy, the second largest in the world. By the late 17th century, the Mughal Empire was at its peak and had expanded to include almost 90 per cent of South Asia,

and enforced a uniform customs and tax-administration system. In 1700 the exchequer of the Emperor Aurangzeb reported an annual revenue of more than £100 million. In the 18th century, Mughals were replaced by the Marathas as the dominant power in much of Indian, while the other small regional kingdoms who were mostly late Mughal tributaries such as the Nawabs in the north and the Nizams in the south, declared an autonomy. However, the efficient Mughal tax administration system was left largely intact. By this time, India had fallen from the top rank to become the second-largest economy in the world.

Economic historians in the 21st century have found that in the 18th century real wages were falling in India, and were "far below European levels."¹⁰ After gaining the right to collect revenue in Bengal in 1765, the East India Company largely ceased importing gold and silver, which it had hitherto used to pay for goods shipped back to Britain. In addition, as under Mughal rule, land revenue collected in the Bengal Presidency helped finance the Company's wars in other part of India. Consequently, in the period 1760–1800, Bengal's money supply was greatly diminished; furthermore, the closing of some local mints and close supervision of the rest, the fixing of exchange rates, and the standardization of coinage, paradoxically, added to the economic downturn. During the period, 1780–1860, India changed from being an exporter of processed goods for which it received payment in bullion, to being an exporter of raw materials and a buyer of manufactured goods.¹¹ More specifically, in the 1750s, mostly fine cotton and silk was exported from India to markets in Europe, Asia, and Africa; by the second quarter of the 19th century, raw materials, which chiefly consisted of raw cotton, opium, and indigo, accounted for most of India's exports. Also, from the late 18th century British cotton mill industry began to lobby the government to both tax Indian imports and allow them access to markets in India.¹² Starting in the 1830s, British textiles began to appear in—and soon to inundate—the Indian markets, with the value of the textile imports growing from £5.2 million 1850 to £18.4 million in 1896.¹³

The British colonial rule created an institutional environment that stabilized law and order to a large extent. They were subject to frequent famines, had one of the world's lowest life expectancies, suffered from pervasive malnutrition and were largely illiterate. An estimate of India's pre-colonial economy puts the annual revenue of Emperor Akbar's treasury in 1600 AD at £17.5 million (in contrast to the entire treasury of Great Britain two hundred years later in 1800 AD, which totaled £16 million). The gross domestic product of Mughal India in 1600 AD was estimated at about 24.3% the world economy, the second largest in the world. By this time the Mughal Empire had expanded to include almost 90 per cent of South Asia, and enforced a uniform customs and tax-administration system. In 1700 AD the exchequer of the Emperor Aurangzeb reported an annual revenue of more than £100 million. Professor Angus Maddison, Emeritus Professor at the University of Groningen, Netherlands, and Honorary Fellow at Cambridge University, estimated India's wealth relative to world GDP for the years 1000 AD, 1500 AD, 1600 AD, and 1700 AD. India's share of world GDP was slightly more than a quarter in the year 1000 AD, and slightly less than a quarter between 1500 AD and 1700 AD. GDP in millions of 1990 International Dollars

Year	India	China	West Europe	World Total
1000 AD	33,750	26,550	10,165	116,790
1500 AD	60,500	26,550	44,345	247,116
1600 AD	74,250	26,550	44,345	329,417
1700 AD	90,750	26,550	44,345	371,369

As per British economist, Angus Maddison India's share of the world income went from 27% in 1700 AD (compared to Europe's share of 23%) to 3% in 1950.¹⁴

CONCLUSION

After India got independence from colonial rule in 1947, the process of rebuilding the economy started. The GDP of India during the Mughal Period was high compared to that of ancient and British times. Changes in the GDP were observed in the British period and with freedom GDP underwent drastic changes. First five year plan for the development of Indian economy came into implementation in 1952. Being largely a agrarian economy, investments were made in creation of irrigation facilities, construction of dams and laying infrastructure. A high rate of investment was a major factor in improved economic growth. Investment went from about 19 percent of GDP in the early 1970s to nearly 25 percent in the early 1980s.. This trend led to a balance of payments crisis in 1990; in order to receive new loans, the

government had no choice but to agree to further measures of economic liberalization. This commitment to economic reform was reaffirmed by the government that came to power in June 1991. Since then economy has progressed immensely with GDP progressing at the rate of 6-8% per annum. The Government had devised the National Manufacturing Policy (NMP) in 2011 with an aim to enhance the share of manufacturing in India's GDP to 25 per cent and add at least 100 million jobs by 2025.¹⁵ India stands third in the world having 8642.760 Billion Dollars in terms of PPP in 2016¹⁶. India is set to become the second largest economy in manufacturing by 2017. The coming few decades are likely to witness tectonic shift in world economic structure of the world. India's share in world output is projected to jump from 5% as of today to 20.8% by 2040 as per *World Bank for GDP in terms of purchasing power parity in 2008; Projections for 2014- 2040* by Mr. Mathew Joseph, Senior Consultant, ICRIER.

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