

Exploring Economic Challenges and Policy Missteps in Post-Independence Development: A Reality Check

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Abstract- India had recently celebrated its 75th anniversary of independence as Azadi Ka Amrit Mahotsav. Since gaining independence, the Indian economy has encountered numerous difficulties and limits to its growth. The major challenges facing the Indian economy are unemployment, gender inequality, poor infrastructure, low educational standards, deteriorating balances of payments, a substantial budget deficit, a high degree of private debt, and low per capita income. Various reforms have been implemented to solve these issues, including the LPG Policy 1991, FEMA 1999, Insolvency and Bankruptcy Code, EXIM Policy, Make in India, MGNREGA, etc. Despite all the efforts, India remains far behind developed countries in terms of economic development and competitiveness. The recent policy errors of demonetization, poor GST, and unexpected lockdown have made the issue worse. With implications for politics, society, and the economy, the black economy has also expanded quickly since the 1950s which also worsens the situation. The study aims to examine the main economic strategies India has employed over the last seven and half decades and evaluates the country's economic issues which have become a hindrance in the growth and development of the country.

Keywords: Economic Problems, Economic Policies, Economic Growth and Development

I. INTRODUCTION

Between 1950 and 1980, India was not the crawling elephant that many people supposed it was. Between 1980 and 2005, India was not the roaring tiger that some argue it has become. Throughout the second half of the twentieth century, India's failure to accelerate its rapid expansion into development, which would have led to a rise in ordinary people's living standards, was the real failure. (Nayyar, 2006). The fact that India's growth performance appeared average in the global context for the first three decades after independence makes India's acceleration of economic growth since that much more thrilling (DeLong, 2001). The

agricultural sector remains trapped where it started a few decades ago. And the bleak scenario is made apparent by agitated farmers throwing their farm produce on the roadways, and suicides, which have become very common portents of sorrow in addition to becoming a tool in the hands of politicians. Poverty and unemployment are the primary issues in rural India. More than 193 million people lives in deprivation in rural India, where over 65 percent of the population resides, three out of every four people there make less than \$1 a day in the US. (Bishnoi, Verma & Rai; 2012). Gender inequality is another significant social concern in India (Jha & Nagar, 2015). Several researchers have found that economic backwardness has been associated to gender inequality (Humpries, 1993; Seguino, 2000). How successful has the country been in completing the mission after seventy-five years?

II. REVIEW OF LITERATURE

Hassan and Nassar (2015) have found that economic growth has a negative impact on the unemployment rate. Umar and Zubairu (2012) examined the relationship between economic growth and inflation and concluded that inflation has a negative impact on economic growth. Ghose (2006) analyses the critical elements that must be met for growth to result in improved job circumstances. First, output growth in the contemporary sector must exceed labor-force growth. Second, per person output or productivity in the conventional sector must at least remain stable (if not increase). Ghose raises an important point: if growth policy is primarily focused on the modern sector, it is likely to fail to improve employment circumstances. Kolte et. al (2019), critically examine the India's 1991 economic reforms and their multifaceted impacts, effectively bridging theory and empirical evidence through extensive data tables

tracking poverty, GDP growth, external sector performance, and employment outcomes.

III. OBJECTIVES

The objective of this paper is to critically assess the Indian economy's performance since its independence. It aims to address issues such as gender inequality, illiteracy, unemployment, inflation, and economic growth in doing so.

IV. RESEARCH METHODOLOGY

This study is descriptive in nature. This study on the 'Indian Economy after 78th Year of Independence' used secondary data only. The required data was collected from books, journals, newspapers, and online sources. Relevant data support every argument. The study solely describes facts, the state of the Indian economy between 1947, the year of independence, and 2025 i.e., 78 years of independence.

V. DATA ANALYSIS AND INTERPRETATION

In this paper the matters discussed are: Agriculture & food production, gross domestic product and per capita income, manufacturing sector, service sector, poverty, malnutrition and health, employment generation and unemployment, indicators, education, human capital and literacy, foreign direct investment and international investment position trade and foreign exchange.

- GDP- GDP increased by 3.5% year from 1950–1951 to 1979–1980, while GDP per capita increased by 1.4% annually. GDP grew by 5.6% annually between 1980–1981 and 2004–2005, whereas GDP per capita grew by 3.6% annually. The significant rise in sectoral and aggregate growth rates suggests that 1980–81 was a turning point. By comparing sectoral and aggregate growth rates from 1980–1981 to 1990–1991 and 1991–1992 to 2004–2005, this conclusion has been confirmed. Growth rates were comparable. In fact, growth in the primary and secondary sectors was significantly slower between 1991–1992 and 2004–2005, and growth in the tertiary sector was somewhat faster between 1980–1981 and 1990–1991. GDP growth averaged 5.9% each year,

compared to 5.4% per year, while GDP per capita growth was 4.1% vs. 3.2% per year.

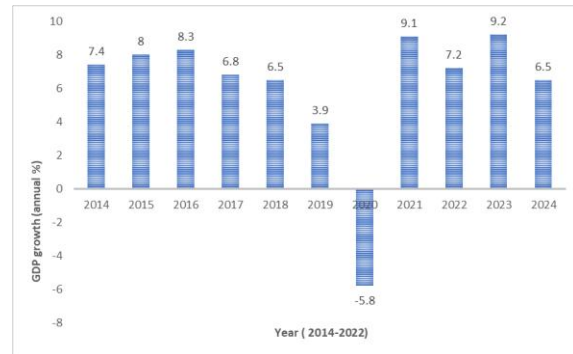


Figure 1: GDP growth rate since 2014 (in percent)
 Source: World Bank

- Poverty - India's poverty rate declined by 12.3 percent between 2011 and 2019, although at a far slower rate than between 2004 and 2011. Rural poverty reduction rates are greater than urban poverty reduction rates. Urban poverty increased by two percent during the 2016 demonetization event before declining dramatically; rural poverty increased by ten percent in 2019, most likely due to a slowdown in growth. The revised poverty estimates are more conservative than prior projections based on consumption growth in national accounts and other surveys (Roy & Weide 2023).

Table 1: Poverty Rates since 1983

	Poverty headcount ratio (\$2.15 a day, 2017 PPP)
1983	56.6
1993	48.0
2004	40.6
2012	22.9
2022	5 (LOWER BOUND)

Source: World Development Indicators & lower bound for 2022 from NSO HCES

Table 2: Growth rates of the Indian economy

Year	Annualised Growth rates of Real GDP per capita	Growth Elasticity of Poverty
1983-1993	2.8%	-3.07

1993-2004	4.3%	-1.72
2004-2012	5.2%	-3.40
2012-2022	4.6%	-3.90

Source: World Development Indicators

2022-23	18.4%
2023-24	17.8%
2024-25	17.94%

Source: National Statistics Office

- Agriculture Sector - Agriculture in India has changed significantly during the previous century. Initially, it was a legacy of colonial policies derived mostly from the British model of development and placed in India during a period when Gandhian village inclusion was the dominant development theory. Over the last 75 years, the agricultural sector's contribution of total GDP has fallen from 52.6 percent in 1952-53 to 11.8 percent in 2015-16. This 41% percent drop is not very long-term and can be measured by fluctuations. The agricultural sector's share of total GDP dropped by 5-6 percent in each triennium until the 1990s, and this decline unexpectedly doubled between 1992-93 and 2002-03, reaching an all-time high of 8%. However, agricultural sector contribution has started rising in the Indian economy in recent years. Indian agriculture is heavily reliant on monsoon rains, making it vulnerable to weather fluctuations and climate change. Despite a large workforce in agriculture, productivity remains low due to outdated farming practices, small landholdings, and inadequate infrastructure. Financial instability and debt burdens have led to distress and a high incidence of farmer suicides.

Table 3: Agriculture sector contribution in Indian Economy (in %)

Year	% Share of GVA of Agriculture and Allied Sector to Total Economy
2018-19	17.6 %
2019-20	18.4%
2020-21	20.2%
2021-22	18.8%

- Lack of skilled workforce - According to the BCG report, 40% of the current workforce is illiterate, with the remaining 40% comprised of dropouts from school. Vocationally trained, diploma holders, and graduates and above account for only 10% of the overall workforce, whereas those who have finished 12 years of schooling fall below 10% (Sanghi et al. 2012). According to the National Policy for Skill Development and Entrepreneurship 2015 report, India has a serious problem, with only 4.69% of its workforce receiving formal skill training, compared to 68% in the United Kingdom, 75% in Germany, 52% in the United States, 80% in Japan, and 96% in South Korea.

Table 4: Employment in the Construction Sector by Education Level of Workers

Category	Percentage of Employment	Total Employment
Unskilled workers	83	25.6 million
Skilled Workers	10	3.3 million
Engineers	3	0.8 million
Technicians and foremen	2	0.6 million
Clerical	2	0.7 million

Source: Report of the Working Group on Construction for the Eleventh Five Year Plan, Planning Commission, Government of India

- COVID-19 Pandemic- COVID-19 has dealt a blow to economies worldwide. The Indian economy has been rising since the beginning of the twenty-first century, although it has been negatively affected by the pandemic. Indian economy is based on four major values i.e., manufacturing, capital flow, exports, and consumption. The Corona effect has had a significant impact on the manufacturing

sector. To begin with, lesser production results from lower offtake. Because of government orders and lockdowns, an increasing number of employees were refusing to come to work, lowering the scale of operations and having an impact on quality and quantity, productivity, volume, and cost. Even in the midst of the pandemic, certain suppliers sense an opportunity to make a profit from the increasing scarcity. Because of the coronavirus shutdown, India's exports fell by a record 60% to \$10.36 billion in April-May 2020, while imports plunged by 58% to \$17.12 billion, causing a trade deficit of \$6.66 billion.

- Unemployment - Unemployment remains a big issue in India, with variances seen between regions and industries. India has struggled with high levels of unemployment, particularly among youth and graduates. The lack of sufficient job creation in the formal sector leads to underemployment in informal sectors. The unemployment rate has an impact on the Indian economy through expenditure, growth, and job possibilities. A high rate hinders economic growth and may lead to

social instability, whereas a low rate indicates a strong labour market and an economic boom. According to a recent Bloomberg analysis, India's total unemployment rate is expected to rise to 7.95 percent by July 2023, from 5.41 percent in 2008. The strategy to solving the unemployment problem has changed over time. The first wage employment effort was launched in the 1960s to employ rural unemployed people, especially during the lean agricultural season. The National Rural Employment Programme (NREP) in 1980, Rural Landless Employment Guarantee Programme (RLEGP) in 1983, Jawahar Rojgar Yojana (JRY) in 1985, and was revised in 1999 as Jawahar Gramme Samridhhi Yojana (JGSY), Employment Assurance Scheme (EAS) in 1993, Sampoon Grameen Rojgar Yojana (SGRY) in 2001(JGSY and EAS were merged to form SGRY in 2001 because of having some drawbacks) and National Food for Work Programme (NFEWP) in 2004.

Table 5: Unemployment Ratio (in percent) for persons of age 15 years and above

Indicat	Rural			Urban			Rural + Urban			
	Year	Male	Female	Person	Male	Female	Person	Male	Female	Person
Jan-Dec										
2021	3.8	2.8	3.3	6.0	8.2	6.5	4.5	3.4	4.2	
2022	3.1	2.1	2.8	5.3	7.7	5.9	3.7	3.3	3.6	
2023	2.7	1.9	2.4	4.4	7.5	5.2	3.2	3.0	3.1	

Source: PLFS (January, 2023- December, 2023)

- Gender Inequality Gender disparity is common in many developing nations. There are disparities in male and female outcomes and opportunities in many areas, including education, income, occupation, access to formal work, managerial positions, access to productive inputs, political representation, and domestic bargaining power. These disparities are particularly obvious in developing nations. Economic growth has been unevenly distributed, resulting in considerable income disparities between regions and

socioeconomic groupings. A declining sex ratio is a silent issue in the Indian economy. According to Census 2011, India's child sex ratio has dropped to 914 females to 1,000 males, one of the lowest since independence, owing to society's ongoing preference for boys. According to the 2011 census, female literacy was 65.46% while male literacy was 82.14%. The underlying assumption is that educating women is pointless because they will only benefit their husbands and families in the future. It makes parents reluctant to invest in their daughters' education (Kohli, 2017). Women do not

have the same standing in society as males and have very little say or authority. The Constitution's granting women equal rights does not result in a major change in their position and respect in Indian society. In the 2023 edition of the Global Gender Gap report, India was ranked 127th out of 146 countries. According to UNDP report, only 29% of Indian women over the age of 15 worked in 2011, compared to 80.7% of men. Women made up 10.9% of lawmakers, compared to 21% in Pakistan. According to a UNDP report, 200 women perished for every 100,000 child births in India in 2016, while 80% of Indian women did not have a bank account in 2016. Every day, 39000 girls are coerced into early marriage, which is to 27 females married every minute (Amutha, 2017). In order to address concerns of gender inequality and women's empowerment in the nation, the Indian government introduced the Beti Bachao, Beti Padhao (BBBP) plan in 2015. To "save the girl child, educate the girl child" is to say "Beti Bachao, Beti Padhao." The program's objectives are to increase awareness of gender prejudice and boost the efficiency of girls' welfare services. But the results of this strategy have not been as encouraging as anticipated. Economic growth potential is lost as a result of gender disparity. Studies suggest that closing the gender gap in labor force participation could significantly boost India's GDP. It perpetuates cycles of poverty and limits the economic opportunities for future generations, exacerbating income inequality.

1	Ratio of female workers to male workers Ratio of female workers to male workers working as Legislators, Senior Officials and Managers (age group: 15 years and above)	15.4	13.8	14.4
2	Ratio of female workers to male workers working as Professionals and Technical Workers (age group: 15 years and above)	53.2	46.9	49.4
3	Percentage of female employed with advanced degree among total employed	1.5	7.0	2.9

Table 6: Indicators in Current Weekly Status (CWS) from PLFS 2023 [January, 2023 – December, 2023]

S.No	Description of the Indicator	Estimate of Indicator (in percent)		
		January 2023 – December 2023		
		Rural	Urban	Rural +Urban

Source: PLFS (January, 2023- December, 2023)

VI. CONCLUSION OF THE STUDY

Since 1986, India has had no price policy or price fixation to guide in the agriculture sector. This is where the problem of distress begins and ends. The cascading effect is quite strong, and unfortunately, the farmer has become more of a political coin in the country than an important economic unit contributing to its development. India's Economy 48 is suffering from a lack of long-term policy and understanding of agricultural policymaking, which is producing

significant negative externalities (Kapila, 2005). India's economic growth was decent between 1950 and 1980. It represented a significant change from the colonial history. And it was no worse than most countries' growth performance during that time period. However, it was simply insufficient in comparison to India's requirements. India's economic development was outstanding from 1980 to 2005. It was, indeed, considerably better than in most other countries. But even this was insufficient. The primary reason for India's downfall in the second part of the 20th century was its incapacity to transform its growth into development, which would have raised the average person's standard of life. As long as poverty, deprivation, and exclusion persist, India's unfinished developmental journey will not be accomplished. A multifaceted strategy including policy changes, cultural shifts, and active engagement from all spheres of society is needed to address gender imbalance in the Indian economy. More inclusive and long-term economic growth can result from empowering and increasing women's economic engagement. All Indians ought to have the skills, opportunities, and rights necessary to make their own decisions and live honorable lives (Nayyar, 2006). In economics or politics, jobless growth is unsustainable. The creation of jobs would only fuel economic expansion in a virtuous circle of cumulative causation.

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