Impact of Economic and Political Policies on Indian Economy during Indira Gandhi Government

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Abstract

This paper examines the economic and political growth during reign of First lady Prime Minister (Iron lady) Indira Gandhi of India. Political Environment and Government policy always create the real base of Economic development and in turn raising the standard of living of people. When she took over as Prime Minister of India our economy deadly require reforms. It was the era of nationalization to serve society in a better manner.

Under her transformational style of leadership India succeeded in creating a sound base for economy. She not only plays a vital role in development of Public Sector Undertaking but also create a strong base for Private sector keeping in mind social welfare. These studies discuss the policies laid down by her Government that still guides India economic and Political path.

Key words: Transformational, reign, reforms, G.D.P.

INTRODUCTION

After death of charismatic statesman Lal Bhadur Shashtri there was a vacuum in leadership which successfully fulfilled by Ms Indira Gandhi. She was a multifaceted personality. Not only as a politicians but Indira as a child, obedient daughter, responsible mother, great visionary, nationalist, a strong willed personality, Durga for enemies and a fountainhead of compassion for people, truly secular.

Born on 19 November 1917 at Allahabad to Pandit Jawaharlal Nehru and Kamala Nehru Indira Priyadarshini was educated at ViswaBharati
University, and Oxford, and became involved in political life almost from childhood. In 1942 Indira married Feroze Gandhi. She became a member of the Congress Working Committee in 1955 and was elected President of Congress in 1959. Indira Gandhi strengthened the democratic structure and tradition of India.

She had tremendous influence on the masses. Among the major achievements of Indira Gandhi as Prime Minister were India’s roles during the liberation war in Bangladesh including humane handling of refugees and winning of 1971 war against Pakistan. She gave direction to India's economy to reach the declared objectives of democratic socialism and greater social justice for weaker sections.

It was under her leadership that the signing of Shimla Pact with Pakistani Premier Z.A. Bhutto and the signing of Indo-Soviet Treaty of Peace, Friendship and Cooperation took place. She nationalised banks, abolished privy purses of maharajas and conducted the first nuclear tests at Pokhran. The imposition of emergency rule in 1975 proved to be a major mistake that she realised later.

Mrs. Gandhi acquired a formidable international reputation as a "statesman", and there is no doubt that she was extraordinarily skilled in politics.

**Objectives of the Research**

1. To show the economic growth at the time of Indira Gandhi Government.

2. To Check the real growth of G.D.P at the time Pre and post Indira Gandhi government (1950 to 1991)

3. To Study Progress of road networks according to planning

The long-term trend growth rate of India's (measured) gross domestic product at factor cost in real terms (hereafter simply GDP) has been a widely debated issue in recent years. While the dominant opinion appears to hold the view of a more or less constant growth rate of about 3.5 per cent per annum [Bardhan, 1984, for instance] with considerable yearly fluctuation around the trend,’ there have been some
who seem to perceive an improvement in the growth rate since the middle or the late seventies.

It was perhaps Raj [1984] who for the first time explicitly stated this proposition. To quote him: "I would venture to place it [the growth rate] now at not less than 4 to 4 1/4 per cent per annum, certainly much above the so-called 'Hindu' rate of growth" [Raj, 1984 p 1802].

Commenting on the supposedly rapid increase in the capital-output ratios resulting in sluggish macroeconomic performance in relation to savings and investment in Indian Economy,

Chakravarty [1987] suggested that the incremental capital output ratio "appears to have come down somewhat in the course of the last two five-year plans, since the annual average rate of growth of GDP has been around 5 per cent over the period 1975-85" (p 54, emphasis added). More recently, commenting on the effects of the policy reform initiated in the eighties, Ahluwalia [1988] has argued that "the growth rate over the past ten years or so averages about 4.5 per cent and this is an average over a period in which growth rate was accelerating. The underlying growth rate of the economy in the mid-eighties is nearer 5 per cent per year (p 347).

Besides the differences in the perception on the overall performance of the economy considerable concern has been expressed over the perceptible change in the composition of the domestic output in favour of the tertiary sector in general and (within it) of 'public administration and defence' [PAD] in particular.

Mitra [1988] said: "There is therefore a seeming disproportionality in the recent shift in the composition of India's national income. The explosion in service activities cannot be readily attributed to any impulse transmitted by the sectors engaged in material production ... In this context, the fact that within the service sector the highest rate of growth is being registered in public administration and defence, that is, in the arena of government activities, is of considerable significance" (p 6).

A systematic statistical examination of these propositions using a consistent and up-to-date time series data since 1950-51 could be of considerable value not only to secure a more realistic and accurate
summary measure of the underlying long-term trends in the economy but also to provide a firmer empirical basis for the debate on the (recent) changes in the economic policies. The above mentioned propositions could be translated into the following

**Testable hypotheses:**

- The trend growth rate of India's GDP since 1950-51 shows no perceptible variation and it has been growing at a constant rate of about 3.5 per cent per annum.
- There has been a trend acceleration in the GDP growth rate over the entire period since 1950-51.
- A distinct break is discernible in GDP at 1975-76/1979-80 with a higher trend growth rate in the following period.
- Growth rate of the tertiary sector has been higher than that of the primary and secondary sectors since 1980-81.
- Growth rate of GDP originating in PAD has been the highest among all the sub-sectors of GDP since 1980-81.

This paper attempts to subject these hypotheses to a rigorous test using mainly the revised (with 1980-81 as the base year) series of National Accounts Statistics [CSO, 1989 a and b] for the period 1950-51 to 1987-88. In order to do so we have applied the known (but not uncontentious) methods of statistical trend fitting to the time series data.

Data Source In 1988 Central Statistical Organisation (CSO) published a revised series of National Accounts Statistics (NAS) with 1980-81 as the base year, which, more or less, follows the methodology of the earlier series with 1970-71 as the base year. Most of the commentators [Dutta Roy Choudhury, 1988 and Gothoskar, 1988] have, by and large, reacted favourably to the changes that have been introduced as they are said to overcome some of the widely acknowledged shortcomings in the previous series.

Reservations expressed over the non-comparability of the old and the revised series to draw meaningful long-term trends in the economy [Mukherjee, 1989] have been unfounded as CSO has now published
long-term estimates of national accounts since 1950-51 with the new base year [CSO, 1989 b].

However, as the official publication does not provide any explanatory notes as to the methodology used for carrying backward the revised estimates, we have little basis to assess their quality.

As our interest lies not so much in absolute magnitudes but in the trends in GDP we prepared index numbers (with 1950-51 as 100) of the old and the revised series of GDP (and its principal sectors) to discern any perceptible divergence in the movements of the pairs of series (Figures 1 to 4).

While the index numbers for the 61d and revised series of GDP (Figure 1) show a perfectly correlated movement over the entire period from 1950-51 to 1984-85 (the latest year for which data according to the old series are available), it is not so for its major sector.

**Economic growth and infrastructure spending in post-Independent India 1950-91**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Period</th>
<th>Growth in G.D.P</th>
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<tbody>
<tr>
<td>1</td>
<td>1950-67</td>
<td>3.6</td>
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<tr>
<td>2</td>
<td>1967-84</td>
<td>4.2</td>
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<tr>
<td>3</td>
<td>1984-91</td>
<td>5.9</td>
</tr>
</tbody>
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**Research Methodology**

Basically research is based on secondary data collected from various newspaper, magazine journals and some important websites. Though to compile and encompass the entire tenure of Ms Indira Gandhi in this research paper is near to impossible but we have These components make a secondary research effective.
Conclusion:

The circumstances of her childhood and young adulthood made her rise to power almost inevitable. Indira had reluctantly accepted more and more power until she apparently believed in her own indispensability. In 1975, Indira enacted an Emergency allowing herself almost absolute power.

After some extreme internal problems, including unrest in the Punjab, Indira lost what had been so precious to her, the faith of her people. Indira had always been supported by the people, the poor, Hindus, Muslims, and Harijans alike.

After events, like the desecration of a Sikh holy shrine, Indira had lost her massive following. The people’s anger toward Indira culminated when Indira was killed by her own bodyguard on October 31, 1984.

Like his mother before him, her son Rajiv was immediately given power. Indira was still in the operating room when Rajiv was being asked to become the next Prime Minister of India, and at 6:30 p.m. that evening, Rajiv was sworn in.

That night, sometime after eleven, Rajiv addressed the nation on All India Radio, saying: Indira Gandhi has been assassinated. She was mother not only to me but to the whole nation.

She served the Indian people to the last drop of her blood. This is a moment of profound grief...We can and must face this tragic ordeal.
with fortitude, courage, and wisdom. Indira Gandhi is no more but her soul lives. India lives.

India is immortal. The spirit of India is immortal.

The Life of Indira Nehru Gandhi, The following day, Indira’s body was moved to Teen Murti where and endless stream of mourners came to pay their respects to their fallen leader.

Thirteen days after Indira’s ashes had been gathered, Rajiv flew with them to Kashmir and scattered her ashes over the Himalayas. Though at times a controversial figure, Indira’s impact on India’s history is undeniable.

Indira led her country even through severe challenges helping India transform into a respected member of the world community. Her love of country and sense of duty drove her every move.

After her death, Indira was remembered by many as a dedicated leader. Margaret Thatcher, British Prime Minister, remembered her “indomitable courage and resolution in adversity” and praised her for building on the “foundations of modern India laid by her father.”

Former President Ronald Reagan credited Indira with spending “her life in search of a better life for the people of India” and her accomplishments were “a great legacy to her nation and the world.”

Perhaps the most appropriate description of Indira came from Francois Mitterand, President of the Republic of France, when he described Indira as having the rare quality of “how to listen and make herself heard with as much conviction as with tact, without ever relinquishing her natural modesty.”

Indira possessed both the strength and humility to be a remarkable leader. As a child of the nationalist struggle, Indira was forever bound to her country, and was destined to lead India.

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