

INDIAN ECONOMY DURING INDIRA GANDHI'S REGIME- A STUDY

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ABSTRACT

The study of the economic policies and programmes of the Indira Gandhi is more crucial as it left deep impact in country's GDP for forthcoming years. Gandhi presided over three Five-Year plans as Prime Minister, two of which succeeded in meeting the targeted growth. During the early part of her regime the public sector continued to grow, in the later period she liberalized the economy and gave a considerable free hand to the private sector. India underwent an agricultural revolution and its technological trained man-power became the largest in the Third World. Nevertheless, Indira Gandhi left a stronger and healthier economy than the one she inherited at the time of her succession to power. Instead of rationalizing policies to encourage industrialization, she further strengthened the license Raj with the MRTP Act and production quotas, creating a form of crony socialism. Instead of capitalizing on our potential in the 70's, she went the opposite way with bad economic policies masked by empty slogans like 'Garibi Hatao'. Her major contribution had been the nationalization of banks, general insurance business, abolition of privy purses and amendment of the Constitution with a socialist end in view.

Keywords: Economic Policies, Five Year Plans, Socialism, GDP (Gross Domestic Product), Industrialization

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1. INTRODUCTION

Indira Priyadarshini Gandhi was the prime minister of India from 1966 to 1984, with a break from 1977 to 1980. During her regime a number of economic changes occurred which shaped the structure of the economy. Mrs. Gandhi was pragmatic in her approach towards economic policy. Her policies were in favor of public sector, small size and the poor, as a continuation of the Congress policy of socialism in the context of a mixed economy. Another important element of her policy was self-reliance.

To analyze the performance of the Indian economy under Gandhi's leadership, we have divided the post-independence period into three parts: 1952-1966, 1966-1984 and 1984 onwards. Gandhi was the prime minister from 1966-84 barring the period from 1977-1980. A

simple comparison of growth rates shows that agricultural growth under Indira Gandhi's tenure is the highest India has ever achieved. While overall growth rates have increased overtime in India, industry's performance was the worst during Gandhi's tenure.

2. METHODOLOGY

Methodology followed in this research is descriptive and historical in nature. Thus, the research work highlights the main objectives of economic policies of Indira Gandhi from 1966-1984. The data collected is purely based on few primary data, secondary data, few authentic journals and newspapers have been used for this study.

2.1. The Fourth Five Year Plan

Gandhi inherited a weak and troubled economy. Fiscal problems associated with the war with Pakistan in 1965, along with a drought-induced food crisis that spawned famines, had plunged India into the sharpest recession since independence. The government responded by taking steps to liberalize the economy, and by agreeing to the devaluation of the currency in return for the restoration of foreign aid. The economy managed to recover in 1966 and ended up growing at 4.1% over 1966–1969. She began a new course by launching the Fourth Five-Year Plan in 1969. The government targeted growth at 5.7% while stating as its goals, “growth with stability and progressive achievement of self-reliance”.

The rationale behind the overall plan was Gandhi's Ten Point Programme of 1967. This had been her first economic policy formulation, six months after coming to office. The programme emphasized greater state control of the economy with the understanding that government control assured greater welfare than private control. Related to this point were a set of policies which were meant to regulate the private sector.[1] By the end of the 1960's, the reversal of the liberalization process was complete, and India's policies were characterized as protectionist as ever. “The economic period of 1967–75 became significant for its major wave of nationalisation amidst the increased regulation of the private sector.

Some of the other objectives of the economic plan for the period was to provide for the minimum needs of the community through a rural works program and the removal of the privy purses of the nobility. Both these, and many other goals of the 1967 program were accomplished by 1974–75. Nevertheless, the success of the overall economic plan was tempered by the fact that annual growth at 3.3–3.4% over 1969–74 fell short of the targeted figure.

2.2. State of Emergency and the Fifth Five Year Plan

The Fifth Five Year Plan (1974–79) was enacted in the backdrop of the state of emergency and the Twenty Point Program of 1975. The latter was the economic rationale of the emergency, a political act which has often been justified on economic grounds. In contrast to the reception of Gandhi's earlier economic plan, this one was criticized for being a “hastily thrown together wish list.” Gandhi promised to reduce poverty by targeting the consumption levels of the poor and enact wide ranging social and economic reforms. The government additionally targeted an annual growth of 4.4% over the period of the plan.[2]

The measures of the emergency regime were able to halt the economic trouble of the early to mid-1970's, which had been marred by harvest failures, fiscal contraction, and the breakdown of the Bretton Woods system of fixed exchange rate[3]; the resulting turbulence in the foreign exchange markets being further accentuated by the oil shock of 1973. The government was even able to exceed the targeted growth figure with an annual growth rate of 5.0–5.2% over the five-year period of the plan (1974–79). The economy grew at the rate of

9% in 1975–76 alone, and the Fifth Plan, became the first plan during which the per capita income of the economy grew by over 5%.

2.3. Agriculture Sector

Seeds of Green Revolution were sown during the Nehru era. Nehru emphasized on creating the physical and scientific infrastructure necessary for modern agriculture. C.Subramanian was the Food Minister of Shastri. Indira Gandhi retained C. Subramanian as Food Minister and raised the super structure of Green Revolution. The Green Revolution means shift from traditional usage of land to a package of agricultural technological practices, which had promoted increase in agricultural productivity and production. It also means the change in emphasis from the extensive integrated rural development to intensive development of favoured districts through Intensive Agriculture District Programme (IADP). It involved technical changes in agriculture through the development of an electorate research and extension system originating from Agricultural Universities.[4]

The new agricultural strategy was followed up and the High Yielding Varieties Programme (HYVP) adopted and integrated into the plans. In 1970's attempts were made to extend the benefits of the new variety seeds to small farmers and to intensify the agricultural extension system. During the first of the Green Revolution, along with the new hybrid seeds State subsidies were given, electrical power, water fertilizers and credit facilities were provided to farmers. Agricultural income was not taxed. As a result of such improvements India became self-sufficient in food production. Buffer grain stocks were built by to meet drought conditions. As a result of successful Green Revolution-1.the production of food grains especially Wheat rose by leaps and bounds; 2. aggregate food production increases significantly; 3. Food availability expanded sharply; 4. India crossed her begging bowl image; and 5. India has become an exporter of food grains.[5]

2.4. 20 Point Programme

On July 1975, Indira Gandhi announced her Twenty-Point Programme in a broadcast through All India Radio. The following were the economic reforms declared under 20-Point Programme.

- Steps to bring down the prices of essential commodities, streamlining of procurement and distribution of essential commodities and strict economy in Government expenditure;
- Implementation of agricultural ceilings and distribution of surplus land and compilation of land records;
- Stepping up of provision of house sites for the landless and weaker sections;
- Abolition of bonded labour;
- Liquidation of rural indebttness
- Review of laws of minimum agricultural wages and their increase;
- More water for irrigation;
- An accelerated power programme;
- Development of Handloom Sector;
- Improvement in quality and supply of people's cloth
- Socilisation of urban and urbanisable land ceiling on ownership and possession of vacant land;
- Prevention of tax evasion;

- Special legislation for confiscation of properties of smugglers;
- Liberalisation of investment procedures;
- New scheme for the association of workers with industry;
- Better road transport;
- Income tax relief;
- Cheaper goods for students;
- Books and stationery at control prices; and
- New apprenticeship schemes to enlarge employment and training, especially of weaker sections.

The 20-Point Programme was claimed to be an attempt to reach out towards the long-cherished ideals to mobilize India's vast resources for National reconstruction and development. The programme was expected to be a turning point in the history of India.[6]

2.5. Nationalization of Banks

In 1960's, when Indira Gandhi was the Prime Minister, virtually all countries of East Asia had started adopting "liberal" economic policies. Back then, the per capita income of most of these countries, including South Korea, was not very different from that of India. But even as East Asia embraced globalization and the private sector, India under Indira became even more inward looking and hostile towards capital and the private sector than her father Jawaharlal Nehru could have envisaged.

Indira's lurch towards extreme left when it came to economics was inspired less by ideological conviction and more by realpolitik. In the late 1960's, the Indian economy was in serious trouble, and so was the political future of Indira Gandhi who faced a phalanx of powerful Congress leaders led by Morarji Desai as her opponents.[7] To counter them, she launched a series of economic policies that left a lasting impact. Her first major decision was to "nationalize" all banks in 1969.

Indira Gandhi wanted to spread banking to the hinterland. In 1966-67, farmers got a mere 2.2% of bank loans. A decade later, it went up to 9.1%. A month before nationalization, only 17.6% of all bank branches were in villages. One year after Indira's death, more than 58% of bank branches were rural.

The motive was theoretically noble: to help poor Indians access modern banking services. In reality, these public-sector banks became tools of patronage for politicians who brazenly encouraged crony capitalism. Public sector banks remain saddled with "bad loans"- money doled out to favored businessmen that was never returned. The crisis continues till date.

Mrs. Gandhi's next major policy move was to nationalize the insurance sector. Theoretically noble; but it actually ended up converting insurance companies into another tool of patronage.[8] Even today, it is the LIC which comes to the rescue when the government decides to divest equity in public sector companies. Her third major policy missile was the nationalization of the coal sector. The long-term results were equally disastrous. Despite holding the third largest reserves of coal in the world, India imported more than 200 million tons of coal in 2014 because the state-owned Coal India simply could not increase output.

2.6. Industrial & Trade Sector

Not satisfied with banishing private capital and enterprise from banking, insurance and coal, Mrs. Gandhi launched policies that emasculated the private sector in a wholesale manner and converted entrepreneurs into supplicants kneeling down and seeking favors at Delhi Durbar.

In 1973, her government enacted the Monopolies & Restrictive Trade Practices Act which basically crippled the private sector. No private company could indulge in any meaningful economic or entrepreneurial activity without prior approval from the government. Mrs. Gandhi gifted draconian law to the private sector in 1973, the Foreign Exchange Violations Act[9] which effectively barred Indian citizens from holding any foreign currency.

Together, MRTP and FERA not only crippled the private sector, but also gave birth to a system riddled with corruption. That corrupt system still harasses ordinary citizens and hobbles economic activity. Of course, while doing all this, Mrs. Gandhi also implemented a policy that made corporate donations to political parties illegal. We all know how "money" has played a role in Indian elections since then. So enamored was Mrs. Gandhi by the power of the State that she even attempted to nationalize the food grains trade in 1973. Mercifully, this experiment with socialism was short lived because its disastrous consequences became immediately visible.

The economic decisions taken by Mrs. Gandhi badly damaged and hobbled the Indian economy for decades. By the time she died in 1984, East Asia, which was as poor as India in the 1960s, had moved miles ahead of India in terms of economic prosperity. In India, we have a habit of looking at things in either black or white. So, when it comes to economic policies, we paint Indira as pitch black. But real life has shades of grey, and in the later stages of her life and reign, Mrs. Gandhi was the politician who first introduced liberal economic policies in India.[10]

In 1982, her government took a then landmark decision to completely de-regulate the cement industry. Almost overnight, the black market in cement disappeared, production zoomed and actual market prices dropped.[11] The deregulation of the cement industry by Mrs. Gandhi was the canvas on which other liberal economic policies were painted. Besides, it was Mrs. Gandhi's regime in 1982 and 1983 that encouraged foreign investment in automobiles and consumer electronics. Objective analysts speculate that Mrs. Gandhi would have turned even more right had she not been assassinated in 1984. But still, even as we pay tribute to this remarkable leader on her birth anniversary, let us not forget that long-term damage that her economics has done.[12]

2.7. Indian nuclear programme and Smiling Buddha

Gandhi contributed and further carried out the vision of Jawaharlal Nehru, former Premier of India to develop the program. Gandhi authorized the development of nuclear weapons in 1967, in response to the Test No. 6 by People's Republic of China. Gandhi saw this test as Chinese nuclear intimidation; therefore, Gandhi promoted the views of Nehru to establish India's stability and security interests as independent from those of the nuclear superpowers.[13]

The program became fully mature in 1974, when Dr. Raja Ramanna reported to Gandhi that India had the ability to test its first nuclear weapon. Gandhi gave verbal authorization of this test, and preparations were made in a long-constructed army base, the Indian Army Pokhran Test Range.[14] In 1974, India successfully conducted an underground nuclear test, unofficially code named as "Smiling Buddha", near the desert village of Pokhran in Rajasthan.

3. CONCLUSION

Indira Gandhi is associated with fostering a culture of nepotism in Indian politics and in India's institutions. She ruled India for more than 16 years and during that period she remained loyal to Nehruvian objective of socio-economic and technological development and faithfully followed the path of planning. Her concern for the poor, underprivileged and the

minorities were genuine. She made India in self-sufficient in food and saved the country from the disgraceful dependence on food imports, thanks to Green Revolution. Even at the risk of her life she strived hard for the national unity and promoted the process of Nation building.

Many leaders have, in fact, charged that her economic policies were not based on socialism but on populism and the expressions she coined were mere vote-catching devices than furthering the cause of socialism. Indira Gandhi's contribution primarily lay in implementation and in adding populist dimensions to it. During the period under study, the Congress socialism, however, continued to work its own salvation, face and overcome its own difficulties and did not take dictates from outside. There lies its uniqueness as well as the weakness.

KEYNOTES

1. Pupul Jayakar, Indira Gandhi: A Biography, p.46.
2. Barbara Somerville, Indira Gandhi: Political Leader in India, p.27.
3. Katherine Frank, Indira: the life of Indira Nehru Gandhi, p.21.
4. Gupte, Pranay, Indira Gandhi: Daughter of India, pp. 42,43&45.
5. Ibid, p. 170.
6. Ibid, p. 181.
7. Op.cit, p. 184.
8. Frank, Mother India: a political biography of Indira Gandhi, pp. 29,75,83.
9. Ibid, p. 90.
10. Mrs. Gandhi's Pyramid: The New Congress, p. 98.
11. Brass, Paul R., The Politics of India Since Independence p. 40.
12. Sanghvi, Vijay, The Congress, Indira to Sonia Gandhi, pp. 114–122.
13. Kulke, Hermann. A History of India. Routledge. p. 359.
14. Oliver, Robert W. George Woods and the World Bank. p. 144.

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