# THE JOURNEY OF INDIA'S DEVELOPMENT FROM AN UNDEVELOPED COUNTRY TO A DEVELOPED COUNTRY

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**Abstract:**

This research paper examines the remarkable transformation of India from an undeveloped country to a developed country over the course of its history, with a focus on the period starting from its independence in 1947. The paper presents a comprehensive analysis of the key factors, policies, and milestones that have contributed to India's development, backed by figurative data. By exploring GVA to output at current price and GCF to output at current price for last decade, this paper highlights India's progress in becoming a developed nation.

**Key Words:** GVA to output; GCF to output

# THE JOURNEY OF INDIA'S DEVELOPMENT FROM AN UNDEVELOPED COUNTRY TO A DEVELOPED COUNTRY

## Introduction

India's journey from an undeveloped country to a developed nation since its independence in 1947 is a subject of immense importance and interest. At the time of independence, India faced significant challenges such as poverty, illiteracy, inadequate infrastructure, and a predominantly agrarian economy. India implemented a series of economic reforms and policies that aimed to liberalize its economy and foster growth. that can help assess the impact of these reforms on various sectors, such as manufacturing, services, and agriculture. It allows for a comparative analysis of the pre-reform and post-reform periods, enabling us to understand the outcomes of specific policy interventions. Infrastructure plays a vital role in a country's development. It is found that transportation networks, power generation capacity, and urbanization rates provides insights into India's infrastructure development over the years. Growth trajectory of India’s development also lies on the technological advancements it shows that IT exports, internet penetration, and technology adoption can provide insights into India's technological advancements and their impact on economic growth. India's progress in human development can be assessed through the study of various indicators such as literacy rates, school enrollment, access to healthcare, and gender equality. Understanding the changes in these indices over time provides a measure of the improvement in living standards and overall well-being of the population. Independence brought dreams of economic, social, and political freedom in India. India aims to join the $5 trillion club. India's share of world income declined from 22.6% in 1700 to 3.8% in 1952. Per capita income was lowest in the world at the beginning of the 20th century.

## Trajectory of India's development

Prime Minister Nehru envisioned a dominant role of the state in economic development. The Industrial Policy Resolution of 1948 proposed a mixed economy. State interventions and regulations were aimed at protecting indigenous industries. Nehru focused on power and steel for India's development. Emphasis on industrialization led to a decline in agriculture and food shortages. Inflation spiked, and foreign exchange reserves were depleted. Nehru's modernizing efforts solidified his legacy. R.K. Shanmukham Chetty presented India's first Union budget in 1947. He defended fiscal federalism, significant for Tamil Nadu in the future. The Planning Commission was established in 1950 to oversee five-year plans. India's first five-year plan (1951-1956) focused on agriculture and irrigation. The economy grew at an annualized rate of 3.6%, surpassing the target of 2.1%. B.R. Shenoy warned against

heavy industrialization and government control. His ideas influenced India's economic doctrine. Modernization and Swadeshi Spirit: The second five-year plan (1956-1961) aimed at rapid industrialization. Prasanta Chandra Mahalanobis played a key role in Indian development planning. The plan invoked the spirit of self-reliance or swadeshi. The Industrial Policy Resolution 1956 paved the way for the license Raj. Industries were categorized into three groups with varying degrees of state ownership. Private sector activities were tightly regulated through licensing.

Lal Bahadur Shastri emphasized agriculture and moved away from centralized planning. The 1965 war victory gave him the political capital for economic reforms. The Green Revolution and Sustainable Development: M.S. Swaminathan's high-yield variety seeds initiated the Green Revolution. Swaminathan now advocates for sustainable agriculture and food security. He promotes an "evergreen revolution" focusing on sustainability. Shastri focused on the dairy sector and supported the cooperative movement. The White Revolution led to increased milk production and self-sufficiency. The brand Amul, started by cooperative farmers, became a market leader. Indira Gandhi nationalizes the banks in 1969. Rajiv Gandhi focusing on economic reform and ushering in the IT and telecom revolutions. The introduction of the Maruti car signaled the rise of a new middle class in India post assassination of Indira Gandhi.

The economic crisis in 1991 led to significant economic reforms, including the dismantling of the license Raj and devaluation of the rupee. Manmohan Singh implemented redistributive economics through schemes like the Mahatma Gandhi National Rural Employment Guarantee Scheme. Stock market scams led to strengthened regulations and reforms in Indian markets. The Indian state sought to attract foreign capital, leading to major acquisitions by Indian companies in foreign markets. R.H. Patil played a crucial role in reforming India's capital markets and establishing the National Stock Exchange.

Demonetization in 2016 had a profound impact on India's currency and the fight against corruption. The Planning Commission was replaced by NITI Aayog, a government think tank. The Insolvency and Bankruptcy Code, 2016 aimed to hold errant promoters accountable and find financially sound owners for companies. The implementation of the goods and services tax unified tax laws and created a single common market in India. Startups have flourished in India, leading to the rise of unicorns and a new ecosystem of funding and consumption patterns.

**Post Pandemic Scenario**

India to witness GDP growth of 6.0 per cent to 6.8 per cent in 2023-24, depending on the trajectory of economic and political developments globally Economic survey 2022-23 projects a baseline GDP growth of 6.5 per cent in real terms in financial year 2023-24. Economy is expected to grow at 7 per cent (in real terms) for the year

ending march 2023, this follows an 8.7 per cent growth in the previous financial year. Credit growth to the micro, small, and medium enterprises (MAME) sector has been remarkably high, over 30.5 per cent, on average during Jan-Nov. 2022. Capital expenditure (capex) of the central government, which increased by 63.4 per cent in the first eight months of financial year 2022-23, was another growth driver of the Indian economy in the current year. Rbi projects headline inflation at 6.8 per cent in financial year 2022-23, which is outside its target range Return of migrant workers to construction activities helped housing market witnessing a significant decline in inventory overhang to 33 months in q3 of financial year 2022-23 from 42 months last year. Surge in growth of exports in financial year 2021-22 and the first half of financial year 2022-23 induced a shift in the gears of the production processes from mild acceleration to cruise mode. Private consumption as a percentage of GDP stood at 58.4 per cent in second quarter of financial year 2022-23, the highest among the second quarters of all the years since 2013-14, supported by a rebound in contact-intensive services such as trade, hotel and transport. Survey points to the lower forecast for growth in global trade by the world trade organization, from 3.5 per cent in 2022 to 1.0 per cent in 2023

**Objective of the study**

Present article is based on the Study of growth of India from under developed country to develop country on the base of economic activity and capital formation by Industry at current price for Gross Value Addition to output ratio and Gross Capital formation to output ratio.

**Research design**

**(a)** **Selection of Sample:** Researcher has selected the core Industry bifurcation according to RBI norms for the present study as follows.

| Code | Industry under Study | Code | Industry under Study |
|---|---|---|---|
| A | Agriculture, forestry and fishing | G | Transport, storage, communication & services related to broadcasting |
| B | Mining and quarrying | H | Financial services |
| C | Manufacturing | I | Real estate, ownership of dwelling and professional services |
| D | Electricity, gas, water utility services | J | Public administration and Defence |
| E | Construction | K | Other services |
| F | Trade, repair, hotels, restaurants | L | Total |
| Source: https://www.mospi.gov.in/sites/default/files/press_release/PressNoteNAD_28feb23final.pdf | | | |

**(b)** **Period of Study:** The study period was be converted 11 years; from 2011-12 to 2021-22

**(c)** **Data Collection:** The present study is mainly based on secondary data and the required data has collected from the Reserve bank website as well as various

Magazines, Periodicals related to Indian Economy and subject matter has also been used.

**(d)** **Tools & Techniques:** For the present study, Ratio-Analysis in percentage as an accounting tools and F-Test ONE WAY ANOVA has used as tools of Statistics.

## A. Gross Value Addition to output ratio

Gross Value Added (GVA) at current price to output ratio at current price is a measure that evaluates the efficiency and productivity of an economy or a specific sector within an economy. It indicates the value added to the production process relative to the total output or sales generated. A high GVA at current price to output ratio suggests that the industry or sector is efficient in adding value to the production process. It indicates that the sector is able to generate significant value beyond the costs of intermediate inputs, resulting in higher productivity and profitability. This ratio is often used to assess the economic performance and competitiveness of industries or sectors within an economy. Conversely, a low GVA at current price to output ratio implies that a significant portion of the output value is absorbed by the costs of intermediate inputs. This can indicate inefficiency in the production process, such as excessive use of resources, higher production costs, or lower productivity.

**Table 1**
**Gross Value Addition to output ratio in percentage for Industry for the Period from 2011-12 to 2021-22**

| Industry | Year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 11-12 | 12-13 | 13-14 | 14-15 | 15-16 | 16-17 | 17-18 | 18-19 | 19-20 | 20-21 | 21-22 | Avg. |
| A | 77.2 | 59.6 | 21.5 | 34.9 | 36.3 | 66.4 | 42.1 | 73.9 | 76.1 | 73.7 | 69 | 78.33 |
| B | 76.3 | 58.1 | 21.9 | 34.4 | 36.3 | 67.2 | 42.8 | 72.4 | 76.6 | 75.8 | 69.2 | 58.71 |
| C | 76.2 | 53.2 | 21.5 | 35.6 | 36.5 | 67.4 | 42.8 | 75.6 | 74 | 75.5 | 69.4 | 23.29 |
| D | 76.7 | 55.4 | 22.1 | 33 | 36 | 66.8 | 43.6 | 75.2 | 72.7 | 74.6 | 69.3 | 38.64 |
| E | 77.0 | 58.3 | 25.5 | 39.2 | 36.9 | 67.6 | 45.1 | 74.8 | 72.3 | 74 | 69.5 | 36.48 |
| F | 77.7 | 57.6 | 26 | 38.8 | 37.3 | 67.9 | 44.9 | 71.9 | 71.5 | 75.2 | 69.5 | 67.71 |
| G | 79.9 | 61.5 | 25.7 | 41.5 | 36.9 | 68.6 | 43.5 | 71.6 | 78.1 | 77 | 71.8 | 43.77 |
| H | 79.7 | 62.9 | 23.6 | 39.6 | 36.4 | 68.3 | 42.4 | 71.5 | 76 | 77.4 | 72.6 | 72.73 |
| I | 80.0 | 62 | 22.8 | 42.3 | 36.2 | 68.1 | 43.9 | 71.1 | 75.8 | 77.4 | 74.1 | 74.97 |
| J | 80.7 | 58.2 | 24 | 43.9 | 36.4 | 68.6 | 45.8 | 71.6 | 77.1 | 78.6 | 74.3 | 75.83 |
| K | 80.2 | 59 | 21.6 | 41.8 | 36.1 | 67.9 | 44.6 | 70.4 | 74.5 | 74.9 | 73.7 | 71.13 |
| L | 77.2 | 59.6 | 21.5 | 34.9 | 36.3 | 66.4 | 42.1 | 73.9 | 76.1 | 73.7 | 69 | 48.79 |

**Source: https://www.mospi.gov.in/sites/default/files/press_release/PressNoteNAD_28feb23final.pdf**

From the above table it is evident that highest average GVA to output ratio is found in Agriculture, forestry and fishing industry while lowest average GVA to output ratio is found in manufacturing industry during Research period. While Average of Total is found less than 50 percent during research period.

**Statistical Analysis**

**Table 2**
**"F"-Test One Way ANOVA for Gross Value Addition to output ratio in percentage for**

| Industry for the Period from 2011-12 to 2021-22 | | | | | |
|---|---|---|---|---|---|
| **$H_o$: There is No Significant Different for Gross Value Addition to output ratio in percentage for Industry for the Period from 2011-12 to 2021-22** | | | | | |
| **$H_1$: There is Significant Different for Gross Value Addition to output ratio in percentage for Industry for the Period from 2011-12 to 2021-22** | | | | | |
| **Source of Variation** | **Sum of Square** | **Degree of Freedom** | **Mean Sum of Square** | **$F_c$** | **$F_t$** |
| **B.S.S.** | 42132.98 | 11 | 3830.271 | 939.0406 | 1.86929 |
| **W.S.S.** | 489.4704 | 120 | 4.07892 | | |
| **T.S.S.** | 42622.45 | 131 | | | |

From the "F" test one way ANOVA Table as calculated above it shows Calculated value of Fc = 939.0406 while tabular value of Ft = 1.86929 which show that calculated value Fc is greater than tabular value Ft, Fc > Ft Hence Null Hypothesis is rejected and Alternative Hypothesis is accepted that There is Significant Different for Gross Value Addition to output ratio in percentage for Industry during research period

## B. Gross Capital Formation to output ratio

Gross capital formation to output ratio at current prices is a measure that evaluates the investment intensity and capital allocation in an economy or a specific sector, taking into account the current market prices of goods and services. It indicates the proportion of gross capital formation, or investment, relative to the total output or sales generated, considering the prevailing prices. A high Gross capital formation to output ratio at current prices suggests that the economy or sector has a high level of investment relative to the current market value of its output. It indicates a higher investment intensity in terms of monetary value and signifies a significant allocation of resources toward the expansion and modernization of the productive capacity, taking into account the prevailing prices. This ratio is often associated with economic growth, as increased investment at current prices can lead to improved productivity, technological advancement, and increased output in monetary terms. Conversely, a low Gross capital formation to output ratio at current prices implies that the level of investment in physical assets is relatively low compared to the current market value of the output. This can indicate a lower investment intensity in terms of monetary value and might suggest limited investment in expanding or upgrading the productive capacity, considering the prevailing prices.

**Table 3**
**Gross Capital formation to output ratio in percentage for Industry for the Period from 2011-12 to 2021-22**

| Industry | Year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 11-12 | 12-13 | 13-14 | 14-15 | 15-16 | 16-17 | 17-18 | 18-19 | 19-20 | 20-21 | 21-22 | Avg. |
| A | 14.1 | 15.3 | 9.4 | 57.6 | 10.9 | 14.5 | 20.6 | 6.6 | 59.2 | 37.2 | 19.4 | 11.51 |
| B | 12.5 | 16.5 | 9 | 50.6 | 11.1 | 23.9 | 18.9 | 5 | 52.3 | 37.7 | 17.9 | 15.36 |
| C | 13.1 | 26.6 | 7.9 | 43.6 | 7 | 13.6 | 20 | 4.8 | 47.9 | 38.7 | 19.4 | 8.45 |
| D | 12.2 | 12.9 | 8.2 | 39.7 | 8.4 | 19.7 | 13.4 | 7.5 | 48.8 | 37.5 | 18.6 | **41.06** |
| E | 10.3 | 12.5 | 9.2 | 48.4 | 8.4 | 19 | 19.1 | 7.2 | 36.6 | 38.9 | 19.5 | 9.66 |
| F | 10.7 | 12.3 | 8.8 | 40.5 | 8.6 | 19 | 19.4 | 2.7 | 34.3 | 39.8 | 19.2 | 18.47 |
| G | 10.2 | 15.4 | 8.7 | 32.6 | 9 | 20.5 | 27.3 | 4.9 | 36 | 37.6 | 21.3 | 21.59 |
| H | 10.8 | 15.2 | 8.1 | 38.4 | 11.9 | 19.2 | 29.7 | 3.7 | 36.8 | 38 | 19.9 | **4.92** |
| I | 10.3 | 13.3 | 7.9 | 34.7 | 10.2 | 16.1 | 26.4 | 4.1 | 34.7 | 37.5 | 20.8 | 40.64 |
| J | 11.5 | 16.3 | 7.8 | 30.4 | 12.1 | 15.2 | 19.5 | 3.9 | 31.8 | 38.2 | 21 | 38.44 |
| K | 11.0 | 12.7 | 8 | 35.2 | 8.7 | 22.5 | 23.2 | 3.7 | 28.6 | 41.7 | 24.9 | 20.17 |
| L | 14.1 | 15.3 | 9.4 | 57.6 | 10.9 | 14.5 | 20.6 | 6.6 | 59.2 | 37.2 | 19.4 | 16.59 |

**Source: https://www.mospi.gov.in/sites/default/files/press_release/PressNoteNAD_28feb23final.pdf**

From the above table it is evident that highest average GCF to output ratio is found in electricity, gas, water supply and other utility services industry while lowest average GVA to output ratio is found in financial service industry during Research period. While Average of Total is found less than 20 percent during research period.

## Statistical Analysis

**Table 4**
**"F"-Test One Way ANOVA for Gross Capital formation to output ratio in percentage for Industry for the Period from 2011-12 to 2021-22**

**$H_o$: There is No Significant Different for Gross Capital formation to output ratio in percentage for Industry for the Period from 2011-12 to 2021-22**

**$H_1$: There is Significant Different for Gross Capital formation to output ratio in percentage for Industry for the Period from 2011-12 to 2021-22**

| Source of Variation | Sum of Square | Degree of Freedom | Mean Sum of Square | $F_c$ | $F_t$ |
|---|---|---|---|---|---|
| B.S.S. | 19614.6 | 11 | 1783.145 | 94.45385 | 1.86929 |
| W.S.S. | 2265.418 | 120 | 18.87848 | | |
| T.S.S. | | 131 | | | |

From the "F" test one way ANOVA Table as calculated above it shows Calculated value of Fc = 94.45385 while tabular value of Ft = 1.86929 which show that calculated value Fc is greater than tabular value Ft, Fc > Ft Hence Null Hypothesis is rejected and Alternative Hypothesis is accepted that There is Significant Different for Gross capital formation to output ratio in percentage for Industry during research period

## Conclusion

From the study it is found that there is significant difference in GVA to output and GCF to output ratio during research period for the industry under study. That shows that the all the industry is not steadily growing that may due to various cause like pandemic and policy reform during study period.

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