



**Government of Tamil Nadu**  
**Department of Employment and Training**

Course : TNPSC Combined Civil Services Examination - IV(Group IV / VAO)

Subject : Indian Economy

Topic : The Nature of the Indian Economy

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**Commissioner,**  
**Department of Employment and Training.**

## The Nature of the Indian Economy

- India is full of natural resources and human potential, but is not utterly used.
- The British Government has transformed India into a single market, destroying indigenous factories in India and trying to exploit capital goods .
- In 1876 Dadabhai Naoroji found that, India's development is reduced by the destruction of wealth and property.
- These descriptions are found in the book "Poverty and Unbritish rule in India" (**Drain Theory**) by Dadabhai Naoroji.
- The Indian economy is a mixed economy.
- Indian economy is also considered a developing economy.
- As per Purchase Power Parity, India is one of the five largest economies in the world.
- The service sector earns more income than the agriculture and industrial sector for the Indian economy.
- There is a mixed economic system of both private and government sector that controls production.
- The Indian economy is called Dualistic Economy, as there are many dualities such as village-city, poverty and prosperity and agriculture.
- Poverty, population problem, Unemployment, low production and inadequate infrastructure are still in Indian economy.
- Increase in Population is one of the major challenges faced by the Indian economy.
- New economic policy was introduced in 1991 with the goal of liberalization, privatization and globalization (LPG) in the Indian economy.

### Population and economic development

- The rapidly growing population greatly prevents economic prosperity.
- The Indian economy can be greatly improved by controlling the population.
- The government's program does not succeed in correcting various social, religious, metaphysical and economic reasons that promote population growth.

### Characteristics of Backward Countries (Characteristics of Under Developed Nations)

- Based on per capita income, a country is called either as a developed or developing country. The rich countries such as the United Nations, Canada, Western Europe and Australia are with high per capita income. Countries such as Asia, Africa, Southeast Europe and Latin America have low per capita income. Middle income earning countries are Argentina Republic, South Africa, Israel and the previous Soviet Russia and the Middle East.
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- According to Meier and Baldwin, there are 6 types of basic properties in non-cultural countries
  1. Primary sector production
  2. Population Adjustment / Pressure
  3. Natural resources are not used properly
  4. Depression in the economy
  5. Reduction of the source
  6. Relationship to foreign trade

## TYPES OF ECONOMY

### 1. Based on Focus

#### Macroeconomics

Macroeconomics is a branch of economics that studies the behaviour and **performance of an economy as a whole** like monetary policy, fiscal policy, and inflation.

#### Microeconomics

It is a branch of economics that studies the **particular segments of the economy** like supply, demand, consumer behaviour, firm, industries, etc.,

### 2. Based on Production Pattern

#### (i) Capitalistic Economy

In capitalistic economy **means of production (land, labour, capital and entrepreneurship)** are owned and managed by **private individuals** and institutions, the absence of government intervention in the economy.

#### (ii) State Economy

This kind of economic system first came up in the erstwhile USSR. Two versions of state economies are **socialistic economy and communistic economy**. In socialistic economy all the means (property and assets) are owned by state in running the economy. Communistic economy advocates all the means of production including labour and are owned by the state in running the economy.

#### (iii) Mixed Economy

In Mixed Economy **both government and private individuals** are allowed to participate in running the economy.

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### 3. Based on Shares in GDP

Depending upon the shares of particular sectors in the total production of an economy we can classify economy into three types.

#### (i) Agrarian Economy

An economy is called agrarian if the share of its primary sector is 50 percent or more in the total output of the economy.

#### (ii) Industrial Economy

An economy is called Industrial if the share of its secondary sector is 50 percent or more in the total output of the economy.

#### (iii) Service Economy

The economy whose 50 percent or more produce values comes from tertiary sector is known as the service economy.

### Economic programs

- The government's proposals, with the use of low-level natural investment for public utility is made as a law.
- After independence, the Planning Commission was constituted in 1950, led by Jawaharlal Nehru. Accordingly, a five-year plan was enacted in 1951-1955.

#### The main objectives of the projects

- Its long-term objectives include the development of the Indian economy, self-sufficiency and employment.
  - Export and import fixation is the next major objective.
  - Science and Technology Progress is the biggest success of the Planning Commission.
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