**Describe and account for changes in India's economy. [45]**

**This essay can be matched with the following focus boxes in C3:**

* **3.3.4 The economic and political background of India**

**A comparable essay would not be set as ‘describe’ is not an AO2 command word.**

India's economy is possibly the economy that has grown and changed most dramatically in the past 50 years or so, throughout the globe. It has now established itself as part of the 'BRIC' emerging economies group and is on track to compete with China as the future's biggest economy.

Perhaps the most major change in India's economy is the transition between a highly protectionist and anti-export nation after independence from Britain to an entirely open and globalised economy, as a result of 1991 debt crisis and the subsequent structural adjustments that were made, including permitting and encouraging FDI (Foreign direct investment) within India. As a result, India's economy has gone from struggling with immense debts to sustaining extremely high growth rates of around 8% on average in the past 5 years or so. There are a number of different factors that have caused this major change in India's economic growth.

The agricultural sector has undergone a number of changes, which may have played some role in India's thriving economy. Traditional agriculture is now in decline for a number of reasons such as the fact that more and more land is being urbanised or being bought up by major agricultural TNCs such as Monsanto which has left the poorer farmers with the most marginal and infertile land; for example, in the Punjab, known as India's bread basket. Simultaneously, agribusiness has seen a rise, with more and more farms being run on strictly commercial principles and with higher cost efficiency, consequently increasing food production considerably and raising the revenues generated in this sector.

However, the agricultural sector's contribution to Indian GDP has actually decreased steadily in the last 20 years, with 32% in 1990 to only 14.5% in 2009. Thus, it seems that changes in the agricultural sector are most likely not the cause of India's changing and growing economy.

Another possible reason for India's growth is the growth of its manufacturing industry, which now employs around 22% of the workforce. The 1991 economic reforms encouraged FDI and the benefits were felt particularly strongly in this sector. For example, the Korean car company *Hyundai* exported 240,000 Indian made cars in 2008 and India is now the 4th largest car exporter in the globe. What's more Coca Cola India now have more than 50 production plants across the nation. The introduction of SEZs is one political factor that may have encouraged growth in this secondary sector and subsequently the overall economy as it makes land and production costs even cheaper than they already are in India. This allows companies to save money while investing and so is an attractive proposition for many companies. Around 153 SEZs are currently functioning in cities like Mumbai and Chennai and areas like Haryana. The rise of Indian TNCs like TATA and Mittal steel is about encouraging growth in this industry sector as TATA is now generating around 3 trillion rupees every year, contributing to the growth of the Indian economy.

Nonetheless, the manufacturing sector has only grown by 1.5% in the past few years (from 27% to 28.5% in 1990-2009) and so this suggests that is only a small part of the reason why India's economy has suddenly changed. India's poor infrastructure is clearly hampering the success of this sector, with port delays as long as 9.6 days in Delhi and roads needing around $50 billion of investment. It is estimated that these problems add around 2.5% on to the costs of doing business in India as opposed to nations like China. Yet, it is likely that policies like the golden quadrilateral highway network will improve conditions for the Indian manufacturing industry allowing it to grow and contribute more and more to the overall Indian economy in the future.

A third factor that may be responsible for India's rapid economic growth is the rise of its service industry. Its contribution to Indian GDP has increased from 41% in 1990 to an overwhelming 57% in 2009, which suggest quite clearly that it has been the fuel behind India's growth. This is due to a range of reasons. India's workforce are English speaking, the global language of services, and so this has encouraged businesses like BT to set up call centres in Indian cities like Bangalore. This is compounded by the relative cost advantage that the Indian workforce presents as they are just as skilled and equipped as British or American companies but are much cheaper to employ. India's labour force are also highly skilled, with around 12% of their 1.1 billion population having a university degree, which has attracted quaternary industries to India and TNCs like Microsoft and Google have offices in cities like Hyderabad – India's own 'hi-tech city'. The IT sector alone has generated revenue of approximately $87 billion in 2008, demonstrating the strength of some of India's service industries. Finally, there is a change in India's demographics occurring as an Indian middle class is developing, who are consumers as opposed to producers and so they can afford IT products and other services like financial advice or leisure activities. It is this social group that are enabling the Bollywood industry to thrive, now producing up to 1,000 films annually. This middle class of consumption is fuelling demand in India's domestic market, which is another factor accelerating India's economic growth in general.

In conclusion, there is no doubt that India's economy has undergone wide-ranging changes both in general and within its individual sectors over the past 50-60 years or so. While there are a number of different factors responsible, it is evident that the rapidly rising services sector (an increase of 16% towards overall GDP in just 19 years) is the most influential factor affecting the changes that can be seen in India's economy in recent years.

**Examiner Commentary:**

**AO1 (18/20)**

**Wide ranging, thorough and accurate knowledge, high order of conceptual understanding**

*Evidence – detailed knowledge of reasons with specific factual and locational detail. Economic growth ratesstated together with detailed statistics of each economic sector’s contribution to economic growth.*

Wholly appropriate, accurate and well-developed examples

# *Evidence –reference to states (Punjab, Haryana) and cities (Mumbai, Chennai, Hyderabad) and specific companies (Monsanto, TATA, BT, Microsoft, Google)*

Accurate and relevant supporting geographical terminology

*Evidence – BRIC, urbanised, agribusiness, SEZs*

Well-directed and well-annotated sketch maps/diagrams

*No evidence*

**AO2 (20/20) Sophisticated application either to analyse or interpret or evaluate**

*Evidence – evaluation of reasons ‘the most major change’ ‘only a small part of the reason’, ‘suggests quite clearly that it has been the fuel behind…’, most influential factor’, with the discussion sustained*

Synthesis of the connections between different elements of the response to the question

*Evidence –Description of changes clearly linked to reasons for changes in India’s economy*

Confident application of the specialised concepts

*Evidence –causality (1991 debt crisis as catalyst, factors encouraging growth of tertiary sector), inequality (poorer farmers marginalised), interdependence (urban sprawl and associated loss of agricultural land), globalisation (structural adjustments, FDI, TNCs)*

**AO3 (5/5)**

**A well-constructed, coherent and logical response**

*Evidence – well-structured (systematic coverage of primary, secondary, tertiary economic sectors) answer with a very good standard of spelling, punctuation and grammar*