

Indian Economy after Independence and Gandhi's Economic Model: Addressing the Challenges of Indian Economy in Light of Gandhian Philosophy

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Abstract

India, home to almost one-sixth of the global population, is one of the fastest growing emerging economies today. Last 70-years of independence have seen many changes in India's Socio-economic landscape which has led India to emerge as Asia's third largest economy. Our development efforts today face stumbling blocks in tackling poverty in the presence of high inflation. This research paper tries to review India's growth story and development issues in light of Gandhi's economic model and his philosophy of trusteeship. India has grown as a planned economy since independence. The first few plans focused on growth with strengthening of the manufacturing sector emphasising heavy industries to form the backbone of the economy. The objective of India's development strategy has been to establish a socialistic pattern of society through economic growth with self-reliance and poverty alleviation to be achieved within a democratic political framework. This happened in two phases where both public and private sectors co-existed in pre-liberalisation and post-liberalisation era characterized by NEP. Over the years India has witnessed a changing composition of its economic structure: agriculture which initially comprised of 60 per cent of the GDP now comprises around 26 per cent of GDP and services comprise a massive 75 per cent of the GDP growing from 30 per cent in the 1950s. The landmark changes in 1991 were, rather, brought about in India under pressure from IMF and World Bank when India was left with foreign exchanges to barely support two weeks imports. Talking of poverty in India primarily three measures are in use:

- *The poverty line (identification)*
- *The poverty gap Index (depth)*
- *The squared poverty gap index (inequality among poor)*

Even today the Indian economy is in a dilemma if at all poverty could be challenged with the abundance of FOREX and food grains we have. This interests the researcher whether the Gandhi's ideals of development and economy can address the present day challenges or not. Hence this research paper looks into the relevance of Gandhian ideals in present Indian economic development using content analysis of various books and newspapers along with internet sources.

Keywords: Indian Economy, Mahatma Gandhi, GDP, IMF, World Bank, Trusteeship, etc.

Introduction

Economics experts across the global boundaries have predicted that India and China are to rule the economic world in the 21st century. The kind of world that we are moving into is essentially a world in which it will not be possible for a country to reach its full economic potential if it is not able to compete globally with others in the same position. We tend to be impressed by domestic change and figures and the amount of change that is taking place home. In fact, that change is quite remarkable in the last few years if considering the size of the country, the extent of change has been tremendous. But it would be no exaggeration to say that our competition has to be with where others actually are today. Hence, the researcher attempts to investigate the post-independent economic development of India in this research paper through content analysis of the available textbooks, government reports and pieces of information available through newspapers and internet resources.

The reforms focus on reorientation of Indian economy, which can be characterised by the jargon 'market-friendly economy'. So it would be necessary to continue changes if the country is to reap the full benefit that we expect to achieve.

More recently, the Tendulkar and Saxena committee reports (2009) have successively reported the inadequacy of the poverty estimates. While new methods of identification of poor are still being debated about, the estimates of poverty as per the Tendulkar and Saxena committees stand at 41.8 per cent and at least 50 per cent respectively.

At the superficial levels or its external aspects, India's economy looks solid and developing, with third quarter 2015 growth up 7.4 per cent over third quarter 2014. Industrial production in India has also expanded by 9.8 per cent in October compared to the previous year. But if we scratch beneath the surface, we find that inflation has picked up in November 2015 to 5.4 per cent, reaching a one-year high.

India has consistently grown at more than 6 per cent over the last five years and in terms of sheer GDP PPP currently stands at rank 4 in the world according to latest World Bank estimates¹. However, when we look at GDP per capita by PPP we rank at 153 according to the World Bank². Liberalisation has helped India grow consistently and boost up its FOREX reserves through massive inflows of foreign funds both through FDI and FII establishing India among the world's top three most preferred investment destinations³.

The fiscal situation in India has improved with the current account deficit falling to 1.3 per cent of gross domestic product (GDP) in 2015 from 4.8 per cent in 2013 as suggested by the Economic Surveys of the mentioned year. The government is still trying to implement the legislation regarding the goods and service tax to help reduce the deficit further which has been passed by the parliament and has received ratification from a few states, but full-fledged implementation remains a goal. Heading into 2016, however, the economic challenges India faces are more deep-rooted, persistent and harder to solve. So it becomes an area of interest for the researcher to look into the historic development of Indian economy and challenges before it. Also this research paper would try to find out whether Gandhian economic ideals and philosophy can address these challenges or not.

India ranks second in term of its populace in the world after China. Census 2011 has predicted that Indian population is growing at 20 per cent per decade, leading to overpopulation and problems like food deficit, sanitation deterioration, infrastructural gaps, health issues and pollution. Various surveys by international organisations have pointed out that over 30 per cent of Indian population is living below International Poverty Line and there is no enough economic planning to change that condition.

Economic Development after Independence

“The present day wars are chiefly the resultant of our economic activities. Nations are becoming more and more capitalistic. Capitalism is a self-centred way of life based on greed, jealousy and might. Imperialism is its outgrowth controlling the sources of raw materials, providing employment to a selected few, and creating world-wide markets are its features. These functions call for a well equipped army, navy, air force and a number of other armaments to keep down others. All these only multiply violence in the world. This path can never lead to world peace.”⁴

Post Independence, apart from extreme poverty, illiteracy, a ruined agriculture and industry, the structural distortions created by colonialism in Indian economy and society made the future transition to self sustained growth much more difficult. Ensuring well being and economic development were the important challenges for the Indian leadership and to pursue these goals, they had two model of economic development, the liberal – capitalist model followed in U.S.A. and Europe, another was the socialist model followed in U.S.S.R. During the debate of model of economic development, Almost everyone agreed that the development of India means economic growth and social and economic justice. Hence very few people supported the American style of capitalist development. There were many who got impressed by the Soviet model of development.

India had to abandon the colonial style of functioning for commercial gains only; and strive for poverty alleviation and social-economic redistribution was primary responsibility of the then government. Therefore India adopted the mixed model of economic development, which has features of both the capitalist and socialist models.

The things which helped Indian economy to revive itself after years of exploitation:

1. There was a mature indigenous entrepreneurial class (Birlas, Tatas, Singhanias, Dalmia, Jains) that developed an independent economic base which was an asset for post independence planned development.
2. Wider societal consensus on the nature and path of development. Everyone from the staunch Gandhian to the Socialists, the capitalists as well as the communists were more or less agreed on following agenda:
 - Multi pronged strategy of economic development based on self-reliance.
 - Rapid industrialization based on import-substitution including capital goods industries.
 - Prevention of imperialist or foreign capital domination.
 - Land reforms involving tenancy reforms.
 - Abolition of Zamindari system.
 - Introduction of cooperatives especially of service cooperatives like marketing, credit, etc.

Thus, the most important objective of India's development strategy has been to establish a socialistic pattern of society through economic growth with self-reliance, social justice and alleviation of poverty. These objectives were to be achieved within a democratic political framework using the mechanism of a mixed economy where both public and private sectors co-exist. ⁵

India initiated planning for national economic development with the establishment of the Planning Commission. The aim of the First Five Year Plan (1951-56) was to raise domestic savings for growth and to help the economy resurrect itself from colonial rule. The real break with the past in planning came with the Second Five Year Plan (Nehru-Mahalanobis Plan). The industrialisation strategy articulated by Professor Mahalanobis placed emphasis on the development of heavy industries and envisaged a dominant role for the public sector in the economy. The entrepreneurial role of the state was evoked to develop the industrial sector. Commanding heights of the economy were entrusted to the public sector. The objectives of industrial policy were: a high growth rate, national self-reliance, reduction of foreign dominance, building up of indigenous capacity, encouraging small scale

industry, bringing about balanced regional development, prevention of concentration of economic power, reduction of income inequalities and control of economy by the State. (The Hindu, October 17, 2014)

McLeod, John, in his book '*The History of India*' writes that 'The keystone of Nehru's economic-policy was government-directed development. The prime minister and his colleagues were in agreement on the need for a modern industrial economy in a country where in 1947 over 80 percent of the population was rural. Industrialization would create the wealth to give Indians health care and education and build a modern infrastructure; establish the economic self-sufficiency that would help protect the country's political independence; and end the reliance on trading raw materials for finished goods that had led to the economic crises of the 1930s.'⁶

After the Independence, the Planning Commission was set up in March 1950 by a simple resolution of the Government of India. It has an advisory role and its recommendation become effective only when the Union cabinet approves these. The scope of the resolution by which **Planning Commission was formed:**

1. Every individual should have the right to an adequate means of livelihood.
2. Material resources of community their ownership and control should served the common good.
3. Economic system should operate in such a way that use of 'means of production' and 'wealth' should not result in well being of particular community and to the detriment of the society.

KEY CONTROVERSIES REGARDING FIVE YEAR PLANS: The strategy of development followed in the early years raised several important questions.

Agriculture vs. Industry

Many thought that the second Plan lacked an agrarian strategy for development and the stress on industry caused agriculture and rural India to suffer badly. Veteran Gandhian economists like J.C. Kumarappa proposed an alternative blueprint that put greater emphasis on rural industrialisation. The stress on rapid industrialisation required import of technology for which India has to spend precious foreign exchange to buy from global market. It was the industry that attracted more investment than agriculture, the possibility of food shortage loomed large.

Public vs. Private Sector:

The state controlled key heavy industries, provided industrial infrastructure, regulated trade and made some crucial interventions in agriculture. Critics argued that the planners refused to provide the private sector with enough space and the stimulus to grow. The enlarged public sector produced powerful vested interests that created enough hurdles for private capital by installing systems of licenses and permits for investment. With the restriction on imports, of goods, Production of such goods in domestic market with little or no competition in addition to no incentive to improve the quality of products. The state controlled more things than required which led to inefficiency and corruption.

Green Revolution

Green Revolution in India is known to reduce the dependence of India on foreign aids for the supply for good grains during the agricultural crises like droughts, floods etc. and envisaged to make India self dependent and self sustained nation in terms of food grains availability.

Prevailing Conditions before the introduction of Green Revolution:

- The focus for Indian agriculture was only on institutional reforms, not on the technological base for agriculture.
- Despite very credible growth of agriculture output during 1949 to 65 of 3 per cent per annum India had been facing food shortages since the mid 1950's.
- The massive jump in population growth rates after independence, steady rise in per capita income, huge outlays towards planned industrialisation put long term pressures on Indian agriculture which resulted in massive demand.
- To meet food shortage, India was forced to import food in greater amount.
- Two wars, one with China (1962) and another with Pak (1965) and successive drought in years 1965– 1966, led to fall in agriculture output massively. Food prices shot up.
- Arm twisting policies of U.S.A. Government due to India stand on Vietnam and India's denial of accepting an economy policy package. [During shortage of food, India was importing food from U.S.A. under the PL-480 Scheme].
- Due to the grim Scenario of the mid 1960's economic self reliance and food self sufficiency became top priority objectives of Indian leadership.

Operation Flood and Cooperatives

Peasants of Kheda district, Gujarat which supplied milk to Bombay felt cheated by the milk traders and then they met Sardar Patel who was from the same region to redress their grievances. At the initiative of Patel & Morarji Desai, the farmers organised themselves into a cooperative union, pressurise the Bombay government with "Milk Strike" to buy milk directly from their Union. These farmers registered themselves in Anand, Gujarat in Dec, 1946. Gandhian freedom fighter Tribhuvandas K.Patel, convinced the farmers to form milk cooperatives, later became its chairman and remained so for 25 years. Dr. Verghese Kurien was CEO of this Union from 1950 to 1973. Meanwhile in 1955, the Union chose "**Amul**" the name for its range of products, which competed with MNC companies of dairy products like Glaxo and Nestle.

The "Anand Pattern" of Khera cooperative union gradually spread to other districts in Gujarat in 1974. The Gujarat cooperative Milk Marketing Federation Ltd. Anand was formed as an apex organisation of the unions in the district to look after marketing. According to one estimate, due to the activities of cooperative, 48 per cent of the income of rural households came from dairying. In 1964, various states set up cooperative dairies on the "Anand Pattern" and for realising it, NDDB (National Dairy Development Board) was created in 1965–Mr. Verghese Kurien was at its helm as its honorary chairman.

Beginning of Operation Flood:

Drawing heavily from the Khera Union for personnel, expertise and much more, the NDDB launched "Operation Flood", a programme to replicate the "Anand Pattern" in other milkshed of country.

Operation Flood had organised cooperatives of milk producers into a nation-wide milk grid with the purpose of increasing milk production, bringing the producers and consumers closer by eliminating middlemen and assuring the producers a regular income throughout the year. It was not just a dairy programme, but a path to development, generating employment & income of rural households and alleviating poverty. By 1995 there were 69,875 village dairy cooperatives spread over 170 milkshed all over the country with a total membership of 8.9 million farmers.

New Economic Policy, 1991 or LPG Reforms

The origin of the financial crisis can be traced from the inefficient management of the Indian economy in the 1980's. In the late 1980's government expenditure began to exceed its revenue by such large margins that it became unsustainable. Inflation was soaring, imports grew in excess to the export to such a level that foreign exchange reserves declined to a level that it was not adequate to finance imports for more than two weeks. Even there was insufficient foreign exchange to pay the interest to international lenders.

To ward off this precarious situation of economy, India approached the World Bank and IMF and received \$7 billion as loan to manage the crisis. In return, these institutions wanted that the Indian should open up the economy by removing restrictions of the several sectors and reduce the role of government in many areas and remove trade restrictions. India had no choice but to accept these conditions and announced the New Economic Policy.⁷

The Crux of the policy was to remove the barrier to the entry of private firms and to create more competitive environment for the economy. These reforms can be classified into two types.

1. The stabilization measures [short term]
2. The structural reform measures [Long term]

The government initiated a variety of policies which fall under three heads viz. Liberalisation, Privatisation and Globalisation, "LPG Policy". The first two are policy strategies & the last one is the outcome of these strategies.

I. Liberalisation

1991 reforms were more comprehensive as compared to the reforms of 1980's. Industrial licensing was abolished for almost all but product categories – alcohol, cigarettes, hazardous chemicals industries, expensive electronics, aerospace, drugs and pharmaceuticals.⁸

The only industries now reserved for the public sector are defence equipments, atomic energy generation and railway transport. In many industries, the market has been allowed to determine the prices.

Financial sector reforms: Major aim of financial sector reforms was to reduce the role of RBI from regulator to facilitator of financial sector. In a way, financial sector may be allowed to take decision without consulting RBI. These reforms led to the establishment of private sector banks, entry of foreign banks with certain conditions on FII, such as merchant bankers, mutual funds and pension Funds were not allowed to invest in Indian Financial markets.

Tax Reforms: Since 1991, there has been a continuous reduction in the taxes on individual incomes. The rate of corporation tax was reduced; simplification of procedures to pay the income tax was also initiated.

Foreign Exchange Reforms: Initially the rupee was devalued against foreign currencies. This led to the increase in the inflow of foreign exchange. Now usually, markets determine exchange rates based on the demand and supply of foreign exchange.

Trade and Investment Policy Reforms: To promote the efficiency of the local industries and for the adoption of modern technologies competitiveness of industrial production and foreign investment and technology into the economy was promoted. Import licensing was abolished except in case of hazardous and environmentally sensitive industries.

II. Privatisation

Government had shed off the ownership and management of various government owned enterprises. Government started disinvestment by selling off equity of PSU's. The purpose behind such move was to improve financial discipline and to facilitate modernisation. The government has also made attempts to improve the efficiency of PSUs by giving them autonomy in taking managerial decisions.

III. Globalisation

Globalisation is the outcome of the policies of liberalisation and privatisation. Globalisation implies greater interdependence and integration. It involves creation of networks and activities transcending economic social and geographical boundaries. The best example is outsourcing. e.g. BPOs and KPOs. Globalisation is mix bag of results. On one hand it has provided greater access to global markets, imports of high Technology etc. on the other hand developed countries have expanded their markets in other countries. It has also been pointed out that market-driven globalisation has widened the economic disparities among nations and people.

ERA of ICT

The main objective behind any innovation in technology is to ensure that it provides comfort leisure, productivity and a better quality of life and built environment to its citizen. In India, the path towards technology induced development especially associated with ICT, was given a vent in 1984 by Rajiv Gandhi government. He adopted an effective route to development with massive programme of computerization, launched in the public sectors as well as in commercial and the public sectors undertakings and in administrative departments. By 1985, large sectors had announced computerization plans, which included railways, banking operations, schools etc. Information & Communication Technology can be broadly viewed under two sectors, Information Technology and Communication.

ICT generates new possibilities to address problems of rural poverty, inequality and environmental degradation. In India, the growth of information technology and communications is very significant in the past two decades. IT Industry in India comprises of software industry and information technology enabled services (ITES) which also includes BPO industry. India is considered as a pioneer in software development and a favorite destination for IT-enabled services (ITES). Many other countries look to India as a model for global outsourcing and try to imitate elements of this is their own strategies.

The Government of India and respective state government in India use ICT for delivery of government information and services to citizens (G2C), business (G2B), employees (G2E), and governments (G2G). The Government of India initiated an e-government programme during the late 1990's by adopting the Information Technology Act in 2000. The major aims of this Act were to recognize electronic contracts, prevent computer crimes and make electronic filing possible.

Gandhi's Economic Model

Gandhi was not an economist but his economic vision is full of a rich understanding of economic dynamics and processes as well as of human and social reality. It is stimulated by the alternatives which propose that the dignity of the human beings rather than their material prosperity ought to be the basis of economic structures. It is worthwhile to have a look at the economic thoughts of Gandhi. Gandhi's economic thought is imbibed in his overall philosophy. His approach is holistic and aims at the socio-economic reconstruction of society. J C Kumarappa in his book '*Gandhian Economic Thought*' and '*Cow in Our Economy*' states that there is no such thing as Gandhi's economic principles. For Gandhi, economics is a part of a *way of life*. There's nothing like economic school of Gandhi which

can be mentioned in the textbooks as a formal law of economics as his framework is based on the basic principles of truth and non-violence which he has applied to solve the day to day practical problems.

All form of economies i.e. economy of Predation, economy of Enterprise, economy of Gregarianism; may be grouped as Transient economies being based on fleeting short term interests of individuals or groups, where life leads to indulgences which can't be the aim. Economy of Permanence, on the other hand, leads to the progress and prosperity of the human race.⁹

Gandhian thought is usually ridiculed as "old fashioned and anti-progress". Although Gandhi has visualised a total socio-economic reconstruction of the Indian society. Before Karl Marx's "Das Capital", no one had ever imagined that the large scale poverty can be eradicated. All historians, economists and sociologists of that era rose in unison to condemn Marx. Gandhi has not given any theoretical model regarding economic development but his basic tenets of truth and non-violence guide us to make a realistic economic structure which is the need of the hour. In *Collected works of Mahatma Gandhi, Vol. 41*, it is opined that trying to carry out ethically good policies by methods involving continuing economic loss was futile. Viable method of financing projects had to be found and, therefore, supported the running of tanneries on sound economic lines necessitating putting bones, hides and intestines of cows to practical use; even though he was relentless in the cause of animal welfare particularly of cow.

The basic principle of Gandhi's philosophy are truth and non-violence and all principles can be developed in light of these touch-stones.

Motive: The motive acts as a guiding force which makes one analyse whether we are moving towards civilisation or not. If our motives lead us to non-violence or necessitates untruth then it is against the Gandhian model. Gandhi opined that the true human nature must not be motivated by self-interest and motivated economic policies for sustainable inclusive economic development. Hence, the focus of motive should be to empower the village craftsman. "The need, therefore, is to give them (village craftsmen) assistance of expert technicians and artists. New type of village goods, suited to new needs and tastes in the villages themselves and outside, should be produced with better technique, materials and artistry."¹⁰

Ethics: Gandhi's distinctive approach to economic issues is his extraordinary emphasis on the ethical concept of economic behaviour. He firmly believed that economics and ethical questions were inseparable. Gandhi has believed that "Economics sans morality is wrong".

Wantlessness: All human beings have needs and wants but not of same importance. There is a hierarchy of needs. He has written in Harijan, n 'If by abundance you mean every one having plenty to eat and drink and to clothe himself with, enough to keep his mind trained and educated, I should be satisfied'¹¹. The nature has provided in abundance for everyone's need but not enough for greed. So limitation of wants is important as well as necessary.

"...Gandhiji avers, to contentment and simplicity voluntarily adopted. Under the new outlook, the multiplication of material wants will not be the aim of life; the aim will be rather their restriction consistently with comfort."¹²

Swadeshi: A mode of production that is decentralised, home-based, modeled on handcraft than the being industrial and mechanical. Industrial production requires people to leave their villages, their homes, their lands, and their customs in order to work. Under the principle of swadeshi, everything produced in villages is exchanged between villages, between villages and cities. Swadeshi, thus, avoids the use of unnecessary transportation which is unhealthy, unproductive and destructive of the environment. "On the economic plane, non-violence means the pursuit of Swadeshi, the elimination

of the profit-motive and the competitive spirit, the assurance of a minimum subsistence to every member of society, the promotion of village self-sufficiency..."¹³

Gandhi had explained his central idea of village production and village self-sufficiency-i.e. Swadeshi. He had said: "The central idea is not so much to carry on a commercial war against foreign countries as to utilize the idle hours of the nation and thus by natural Processes to help it get rid of her growing pauperism."¹⁴

Production by Masses and not mass production: Gandhi has been of the opinion that in Indian economy, production must be done by masses. It provides us with sufficient number of jobs to address the challenge of unemployment and earn decent livelihood which is being faced by current economic model. Gandhiji never opposed machines. He was critical of too much dependence on machines. In Gandhiji's vision, the priority of any system which doesn't want to thwart growth should be 'man' and not 'machines'. The farmers, thus, can have a useful seasonal occupation. Production based on local needs and the process be completed with local resources.

Also it is concluded that 'Quantitative output in industry and agriculture is resulting in fragmented persons, disintegrated families and communities, on the one hand, and in weakening soils, plants and animals, multitudinous pests and greatly increased drug taking, on the other.'¹⁵

Gram Swarajya: Reconstruction of village economy based on "Gram Swaraj" is the pillar of Gandhi's model of economic development. In his vision, each village is a totally autonomous and self-sufficient unit which will be totally self-reliant in fulfilling the basic needs. A cluster of mutually dependent (in some matter) villages forms the basis of economic order. In Gandhiji's vision of Gram Swaraj, human beings will be most important, labour will be given due importance, there will be decentralisation of power.

Trusteeship: Capitalism upholds private ownership by individuals without any control by the state and Marxism advocates total control of the state on resources. Gandhi has found both models exploitative and thus considered the question of ownership of resources differently. His ideal of trusteeship has provided a mean of transforming the present exploitative model into an egalitarian society ensuring a decent minimum living wage to every person. Trusteeship of Gandhi has its origin in his faith in the law of non-possession. Gandhi has opined that the rich should hold the wealth and property as 'trustees'. Profit generation for self-interest must not be the aim of the rich but using the bulk of earnings for the good and welfare of the state and individuals. Sarvodaya and Antodaya must be the focal point of the socio-economic development.

"Gandhiji hopes for a voluntary abdication on the part of the capitalists of wealth and the power it confers, failing which there is bound to be, he fears, a violent revolution. The non-violent way, therefore, is the acceptance of his doctrine of trusteeship."¹⁶

Appropriate Technology: there is a widespread misunderstanding that Gandhi was against technology. Gandhi was in favour of using appropriate technology which helps people and not replace them, which could be used for the welfare of human race. While using the spinning wheel, he was eager to bring innovation in that spinning technology and had even declared a prize of Rs.1 lakh for such an innovation. Capital intensive technology had evolved in a totally different context and cannot be universally be deemed appropriate anywhere in the world, for all time to come.

Gandhiji says, "The Charkha had become part of the programme of love. As I was picturing life based on non-violence, I saw that it must be reduced to the simplest terms consistent with high thinking...." Based on above Gandhi gave the working principles of constructive program for development of self-sufficient village republics.

Difference Between Gandhi's Economic Model And Present Economic Model:

"When we plan for our country, our plans likewise must be rooted in the conditions that prevail in our land. We have got to keep in mind the picture we have got of our poverty."¹⁷

1. Gandhi is of the opinion that natural resources are abundant and enough to fulfill every individual's needs. But the present model opines of the scarcity of resources.
2. In Gandhian ideals, human image is also spiritualistic along with physical and mental constructs but the current economic structure only focuses on physical and mental dimensions.
3. The present economic model is more individualistic but in Gandhian model the emphasis is on community which focuses on strengthening the weakest (Antodaya) in the community first of all leading to welfare of all (Sarvodaya).
4. The objective of Gandhian model is service and sharing but current model is based on self-interest and principle of maximisation of profit.
5. The philosophy of Gandhian model is 'Small is beautiful' but present model is working on the philosophy of 'the more, the better'.
6. Gandhian Model is non-exploitative and tries to ensure equality but the present mainstream model is exploitative by nature.
7. Measure of Gandhian model is 'Quality of life' but the mainstream model is 'Standard of Living'.
8. The Gandhian model is self-reliant and decentralised but present model is market based.

Hence it can be concluded that Gandhian ideals are not materialistic or individualistic but community-oriented propounded by his philosophy of Sarvodaya and Trusteeship.

Now the researcher would try to look at the challenges of present economic model and try to analyse whether these challenges can be addressed by mainstreaming Gandhian ideals into the present model or not.

Challenges of Indian Economy and their solution from Gandhian perspective:

'Indian Democracy is one man, one bribe.'

Since 1991, the Indian economy has pursued free market liberalisation, greater openness in trade and increase investment in infrastructure. This helped the Indian economy to achieve a rapid rate of economic growth and economic development. However, the economy still faces various problems and challenges. Although Gandhian ideals cannot be applied directly to the persistent economic model but the present model can be reformed and restructured with Gandhian lines.

Crumbling Infrastructure

Many Indians lack basic amenities like access to food, nutrition, drinking water, education, health infrastructure, roads, railways etc. Indian public services are creaking under the strain of bureaucracy and inefficiency. Red-tapism and corruption has led to crises for masses. A big part of Indian grains, vegetables and fruit is damaged before reaching the market; which is one good example of the supply constraints and inefficiency's facing the Indian economy. Gandhi's economic ideals don't fit directly but if first the basic needs of infrastructure are fulfilled then we can save our production which is damaged during transportation and storage. In light of Gandhian philosophy if every region produces for its needs and its neighbour's need in a self-sufficient manner then this devastation can be stopped.

Poor educational standards

Although India today has a high percentage of English speakers because of LPG reforms but there is still persistent high levels of illiteracy amongst the population. In India literates are not the people who are formally educated but also those who can read and sign. Literacy rate is worse in rural areas and amongst women. Over 50 per cent of Indian women are illiterate. This limits economic development and a more skilled workforce. Gandhi's constructive program had main focus on education of village republics on lines of *Nayi Talim* model. The current system is producing white collars and adding to unemployment. Thus it does not provide sufficient jobs which is adding more population to poverty, thus, leading to over-population and unhygienic conditions. If we restructure our education system with vocational training along with foreign model of education, then we can address unemployment and ignorance.

Inequality has risen rather than decreased.

It is hoped that economic growth would help drag the Indian poor above the poverty line. So far economic growth has been highly uneven benefiting only the skilled and wealthy. Many of India's rural poor are yet to receive any tangible benefit from the India's economic growth. More than 33 per cent (268million) of the Indian population live on less than \$1 per day. Hence Gandhi's *trusteeship* can play an important role today which would eliminate self-interests of the rich by State's intervention. Trusteeship will promote welfare of humanity, thus, empowering the poor and decreasing the rich-poor disparity.

High levels of private debt

Buoyed by a property boom the amount of lending in India has grown by 30 per cent in the past year. However there are concerns about the risk of such loans. If they are dependent on rising property prices it could be problematic. Furthermore if inflation increases further it may force the RBI to increase interest rates. If interest rates rise substantially it will leave those indebted facing rising interest payments and potentially reducing consumer spending in the future

Rigid labour Laws

As an example Firms employing more than 100 people cannot fire workers without government permission. The effect of this is to discourage firms from expanding to over 100 people. It also discourages foreign investment. Trades Unions have an important political power base and governments often shy away from tackling potentially politically sensitive labour laws. The laws securing workers' interests must ensure their implementation. Labourers must be provided with a decent living wage and physical labour must not be looked down as opined by Gandhi. A system of Intermediate Technology, based on smaller working units, communal ownership and regional workplaces utilising local labour and resources.

Inefficient agriculture

Agriculture is more revolutionary than industry. Agriculture produces 16 per cent of economic output where more than fifty percent of the work force is employed in agriculture. This is the most inefficient sector of the economy and reform has proved slow. Public policy should give massive support to agriculture on which more than half the population of the country depends for their livelihood and make it a remunerative occupation on par with industry and the service sector. And this can be achieved by employing and implementing Gandhian ideals into Indian economic development which is lopsided otherwise.

Slowdown in growth

Real GDP per capita growth in the recent years has been low. This is a cause for concern for present economic model as it seeks a higher growth rate in living standards, employment and encouraging investment. The Gandhian concept of quality of Life is more relevant and can address this issue in a better way. Local self-sufficiency through empowerment of the marginalised group can increase the growth rate of Indian economy which would improve the quality of life. It is a measure of autonomy contributing towards inclusive overall development, which is enshrined in the tenets of Antodaya and Sarvodaya.

Environmental Issue

The current economic model is leading to exploitation and degradation of environment. Ecological imbalances are visible and devastating our day to day life. Sensitivity towards environmental sustainability can be addressed through Gandhi's ideals of villages which can be directly visualised in his Community Ashrams. Corporate Social responsibility (CSR) can become instrumental in addressing this issue if the ideal of trusteeship is implemented in full spirit.

Although the following cannot be addressed by Gandhian Principles directly but the policy makers and think tanks of the country may devise techniques and suggest structural changes which can address these issues which are result of heavy industrialisation and globalisation.

Inflation

Fuelled by rising wages, property prices and food prices inflation in India is an increasing problem. Inflation is currently between 8-10 per cent. This inflation has been a problem despite periods of economic slowdown. For example in late 2013, Indian inflation reached 11 per cent, despite growth falling to 4.8 per cent. This suggests that inflation is not just due to excess demand, but is also related to cost push inflationary factors. For example, supply constraints in agriculture have caused rising food prices. This causes inflation and is also a major factor reducing living standards of the poor who are sensitive to food prices. The Central Bank of India have made reducing inflation a top priority and have been willing to raise interest rates, but cost push inflation is more difficult to solve and it may cause a fall in growth as they try to reduce inflation.

Large Budget Deficit

India has one of the largest budget deficits in the developing world. Excluding subsidies it amounts to nearly 8 per cent of GDP. Although it is fallen a little in the past year. It still allows little scope for increasing investment in public services like health and education.

Balance of Payments deterioration.

Although India has built up large amounts of foreign currency reserves the high rates of economic growth have been at the cost of a persistent current account deficit. In late 2012, the current account reached a peak of 6 per cent of GDP. Since then there has been an improvement in the current account. But, the Indian economy has seen imports growth faster than exports. This means India needs to attract capital flows to finance the deficit. Also, the large deficit caused the depreciation in the Rupee between 2012 and 2014. Whilst the deficit remains, there is always the fear of a further devaluation in the Rupee. There is a need to rebalance the economy and improve competitiveness of exports. GDP is an indicator of economic and social progress and does not measure people's well-being. We need to measure progress by improvement in well-being rather than expansion in market based economic activity and how quickly we can build a renewable energy platform, meet basic human needs, discourage wasteful consumption, and invest rather than deplete natural and cultural capital. This all can be ensured by Gandhi's economic ideals.

Conclusion

In the present concept of global village, Gandhian model of economic development is received with scepticism. The researcher has concluded that we should not look towards Gandhian economics as a rigid doctrinal framework. Gandhi has not opposed all 'machines and industrialisation' but criticised the impracticability of the idea of individualistic self-interests which is the capitalist principle. He has opined that the 'rich business-men must voluntarily surrender their wealth for welfare of humanity and social good'. Gandhiji was pragmatic and expressed views in the context of India's conditions prevailing in his times. If we properly understand Gandhian philosophy, we will find that it is very much relevant today, when the world is facing a severe crisis due to mass poverty and unemployment, side by side with consumerism and exploitation of natural resources.

Through his call of swadeshi and gram-swaraj, Gandhiji delivered a strong message for not only political independence but also socio-economic self-reliance and inclusive growth. The need of the hour is thus to design such policy initiatives which can take care of the welfare of the poorest members of the society, fulfill their basic needs. And also give to them a dignified and respectable living adding to quality of life than living standards by calling upon to the richest to act as the trustees of the economic resources. We need to bring a new model of economic development, in which development is measured in terms of following dimensions which are:

- Development of human capability through value education,
- Social well-being of the community by ensuring quality life,
- Dignified employment for everyone, empowering the downtrodden and weak at the first hand,
- Equitable distribution of resources and also income and wealth to reduce the disparity through trusteeship,
- Ensuring ecological sustainability.

Gandhi has strongly advocated the above mentioned ideals as necessary social inputs without which economic growth is not possible. In other words, Gandhi's scheme of thoughts, which is considered as non-economic components of economic development is perhaps more important than strict economic concepts. Value education is a pre-requisite for acceptance of the Gandhian economic model. Ignoring these Gandhian principles may result in temporary economic growth pushing the world into a social turmoil. Gandhian philosophy, properly understood, provides the solution.

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