

Section 4

The Economy of India

As you read, look for

- ▶ the type of economic system in India;
- ▶ the purpose and results of the Green Revolution;
- ▶ challenges faced by the economy of India;
- ▶ the impact of the microcredit industry on entrepreneurship;
- ▶ terms: **Green Revolution, rupee, microcredit industry.**

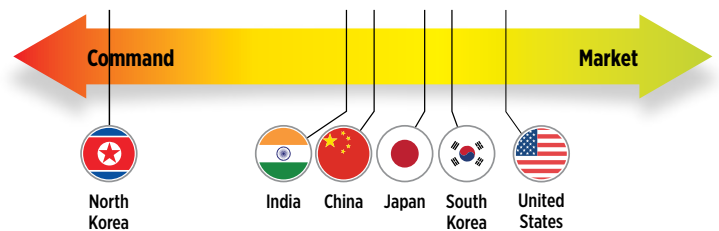


Type of Economy

India has a mixed economy that leans toward a market system. The country has a stable democracy that is good for business. Individual and business property rights are protected by law. This is good for growing the country's economy. When owners feel their property is secure, they are more likely to increase their investment, which encourages growth. By 2017, the International Monetary Fund labeled India's as the world's fastest-growing economy.

Figure 14.2

Economic Systems in Southern and Eastern Asia



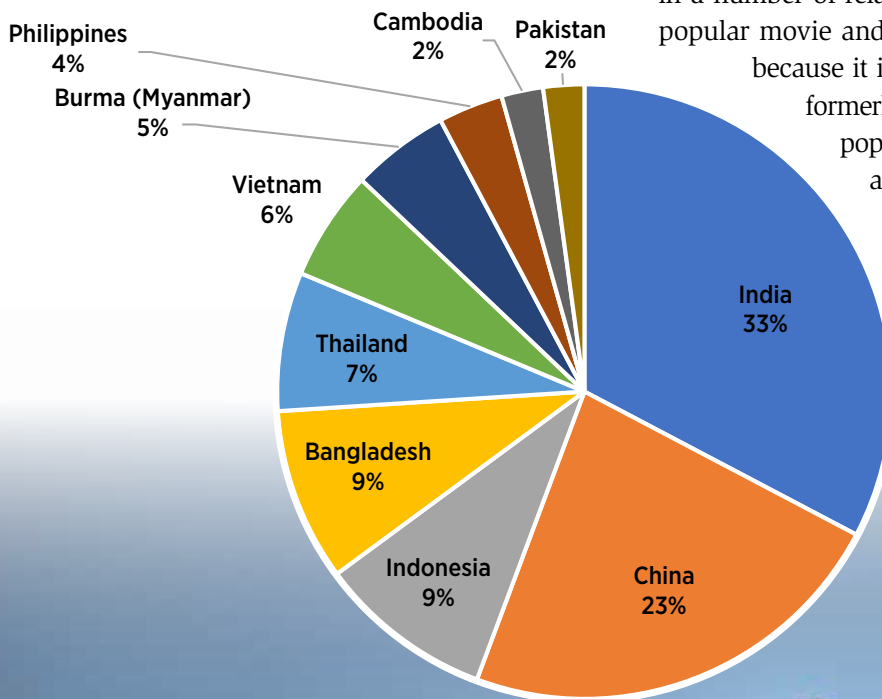
Left: India's economy depends on an educated workforce. These engineering students are preparing for jobs building their country's future.

DID YOU KNOW?

In 2009, India's space agency was the first to find proof of water on the moon's surface.

Figure 14.3

World Rice Production: Top Countries (2017)



The economy of India is a blend of traditional and modern activities. About half of India's population still works in agriculture, many using farming techniques that have not changed for centuries. Many poor farmers still plow with oxen and water buffalo rather than using engine-powered tools. Rice and wheat are leading agricultural products in India. Agricultural products account for about 14 percent of the country's Gross Domestic Product (GDP). India's government decided to modernize Indian agriculture in the 1960s by declaring the beginning of the **Green Revolution**. New types of seeds and grains were introduced, and fertilizers and pesticides were made available. While farm products increased, there were problems as well. The chemicals the farmers used increased pollution of streams and rivers, and some farmers found the new techniques too expensive to use.

India now leads many of the countries in the region in the growth of technology and service industries. There is a booming electronics industry in India, producing computers, software, and televisions. India has launched several communications satellite systems and leads the region in a number of related fields. India is also home to a popular movie and film industry—called Bollywood because it is centered in Mumbai, which was formerly known as Bombay. Its films are as popular in Southern and Eastern Asia as are films made in the United States. Service industries are booming in India, with thousands of people employed to handle technology questions, airline reservations, and retail sales for customers from around the world. The success of these industries has allowed India to develop a growing middle class.

Background: An Indian family harvests crops near Jaipur. About half of India's population works in agriculture.

special Feature

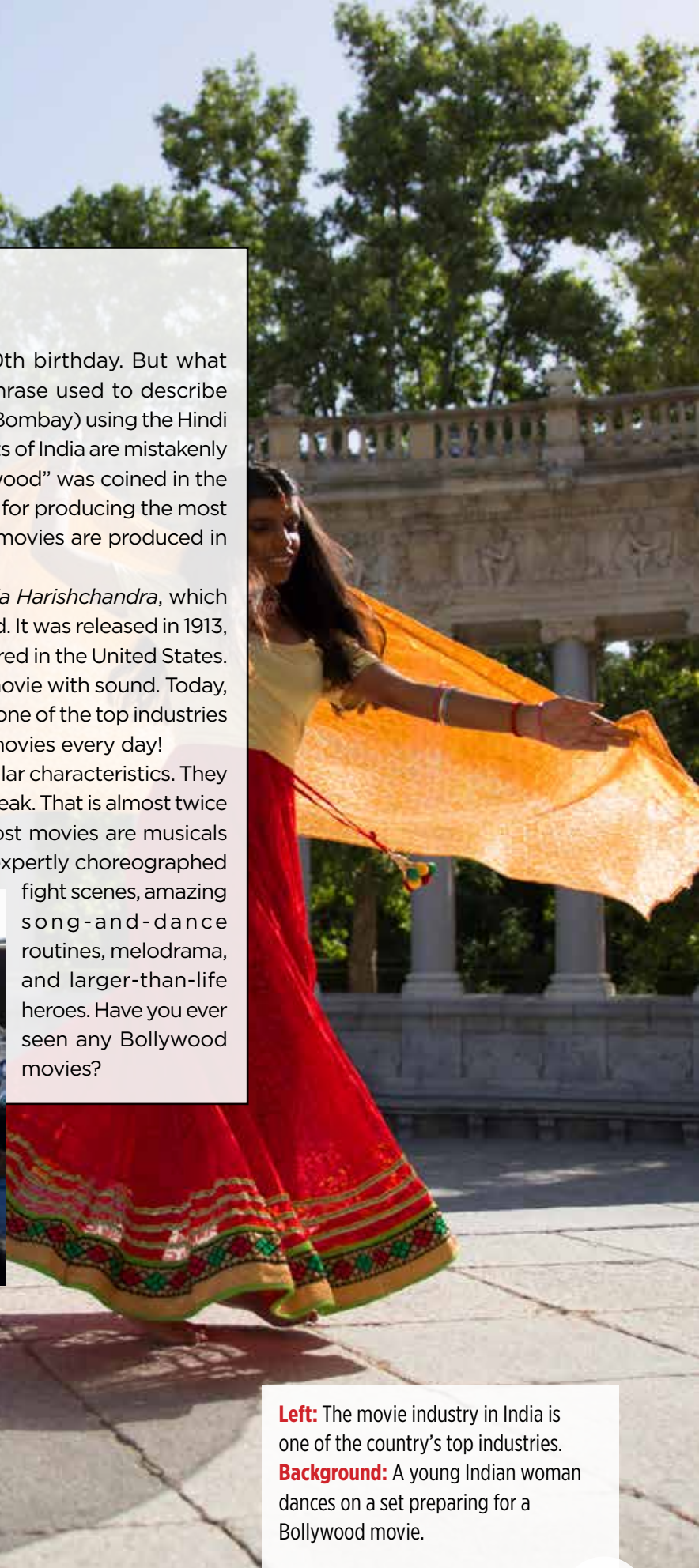
Bollywood

In 2013, Bollywood celebrated its 100th birthday. But what is Bollywood? In short, Bollywood is a phrase used to describe movies that are made in Mumbai (formerly Bombay) using the Hindi language. Often, movies filmed in other parts of India are mistakenly called Bollywood films. The phrase “Bollywood” was coined in the 1970s, when Bollywood passed Hollywood for producing the most movies per year. Between 800 and 1,000 movies are produced in Hindi cinema a year.

The first movie created in India was *Raja Harishchandra*, which was a black-and-white movie with no sound. It was released in 1913, just eight years after the first movie premiered in the United States. In 1931, *Alam Ara* was the first Bollywood movie with sound. Today, the movie industry, including Bollywood, is one of the top industries in India. Over 14 million Indians go to the movies every day!

Most Bollywood movies share some similar characteristics. They are usually three hours long and include a break. That is almost twice as long as the average Hollywood film. Most movies are musicals and include a standard or basic storyline, expertly choreographed

fight scenes, amazing song-and-dance routines, melodrama, and larger-than-life heroes. Have you ever seen any Bollywood movies?



Left: The movie industry in India is one of the country's top industries.

Background: A young Indian woman dances on a set preparing for a Bollywood movie.



Trade in India

Trade is very important to India's economy and has been for centuries. In fact, India is the 14th-largest importer in the world. The top countries India imports goods from include China, the United Arab Emirates, Saudi Arabia, the United States, and Switzerland. India's top imports include oil, machinery, fertilizers, plastics, chemicals, steel, diamonds, and gold. On the other hand, India is the 16th-largest exporter in the world. It exports goods to many countries around the world including China, the United Kingdom, the United States, and the United Arab Emirates. India's top exports include petroleum products, precious stones (diamonds), cars, machinery, cereals, medicine, and clothing.

In order for these countries to trade, they must use a system to exchange their currencies fairly. India's currency is the **rupee**. Businesses from other countries that want to trade in India must exchange their currency for the rupee. Indian businesses trading in other parts of the world must exchange their rupees for the local currency. In 2017, one US dollar could be exchanged for about 65 Indian rupees.

Georgia businesses trade with businesses in India. To encourage business, Georgia has hosted the annual US-India Business Summit in Atlanta since 2010. The event focuses

on life sciences, information technology, real estate, and investment in the two countries. In 2014, Georgia's exports to India totaled slightly more than \$434 million. India is the 21st-largest export market in the world for Georgia. Top exports from Georgia to India include gas turbines, internal combustion piston engines, chemicals, and wood pulp. In 2014, Georgia imports from India totaled \$1.84 billion, a 14.66 percent increase from the previous year. India ranks 8th among Georgia's top importer nations. Georgia's top imports from India include tractors, parts and accessories for special purpose motor vehicles, bed linen, carpets and other floor coverings, television receivers, and electrical transformers.



Top: Bagmane Tech Park is a software technological park in Bengaluru (Bangalore). Companies such as Oracle, Texas Instruments, Lenovo, Volvo, and Yahoo! have offices here. **Above:** An offshore platform near Mumbai provides oil for India to use or export. Petroleum products are among the country's largest exports.

Natural Resources and the Economy of India

India has a variety of natural resources. One of India's most valuable resources is arable land. As you have already read, over half of India's population still works in agriculture. This resource is critical for feeding India's fast-growing population. Some of the crops that are grown include rice, wheat, tea, cotton, sugarcane, and lentils. Additionally, India has valuable mineral resources, like coal, iron ore, bauxite, and diamonds. The diamond cutting and polishing industry in India is the largest in the world. Finally, India has deposits of oil and natural gas. Not only do these valuable resources help power industries in India, they also are an important export.

Human Capital in India

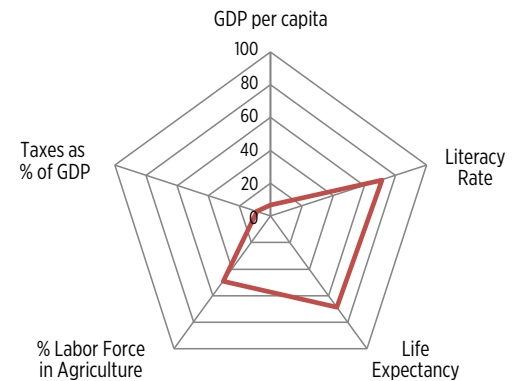
In the 1960s, the Indian government announced the beginning of a program called the Green Revolution, the national project aimed at helping farmers use more modern methods and technologies to improve crop production. Many farmers also learned new techniques for building irrigation systems to bring water to their fields. This program was an example of the Indian government investing in the country's human capital. Crop production did increase, and many Indian farmers began to grow new and improved types of rice and wheat, two of the country's leading agricultural products. Even with these improvements, India still has to struggle to produce enough food for the ever-increasing population. While many of the people in India still work in agriculture, it is also one of the world's top-ten industrial nations.

The Indian government has stressed education during the past decades. As a result, many Indians, particularly those living in cities, are highly educated and have jobs in the sciences, computer and information technology, arts and literature, and industrial production and research. The literacy rate is about 71 percent. Most Indians are able to attend school for twelve years. However, an estimated 25 million children between the ages of five and twelve are forced to work to help their families instead of going to school.

India is now one of the leading software producers in the world. Because so many in India speak English, this country has become a leader in technology support for people in other parts of the world. India also has a rich traditional arts history, as well as one of the largest film industries in the world.

Figure 14.4

India Spider Graph



Background: Sugarcane is one of India's valuable crops. Arable land makes growing sugarcane on a large plantation possible. **Above:** The Indian government has stressed educating students in science and technology classes, such as this one in Nagpur.



The Indian middle class is growing rapidly. These are people who are well educated and who play an active part in the country's industrial growth. The country's GDP has been growing at a rate of about 8.5 percent per year. The challenge for India is for the economy to keep up with the rapidly growing population and the strains that population puts on both the economy and the environment.

Capital Goods in India

India is a country that has invested heavily in the factories, modern machinery, and advanced technology that make up what is known as capital goods. Even though a large portion of the economy and its people are still engaged in agriculture, India is a leader among the world's industrial countries. Modern agricultural techniques have become more widely used in India since the Green Revolution in the 1990s. India's cities are home to some of the most advanced communications and computer technology in that part of the world. Enormous amounts of money have been poured into Indian industry in recent years, put to good use by India's increasingly well-educated middle class. Although poverty and overpopulation remain constant problems for India, progress in the modernization of farming techniques and industry have enabled the country to boast of a growing GDP every year for the past decade.



DID YOU KNOW?

Many American businesses employ people in India to answer their telephones regarding technical or service problems. In the city of Bangalore alone, about 265,000 people work in such jobs.

Entrepreneurship in India

India has many stories of entrepreneurship in its history. Some of the world's largest and most successful companies were founded by Indian entrepreneurs. In addition to these large financial empires, India is also a land of smaller entrepreneurs in what is known as the **microcredit industry**. Thousands of Indian men and women have been able to borrow small amounts of money to start little local businesses. Entrepreneurship through microcredit is changing the quality of life in many rural Indian villages.

Reviewing the Section

1. What type of economy does India have?
2. What was the Green Revolution? What was its purpose? What were the results?
3. What are India's top exports?
4. What are some of the challenges the economy of India faces?
5. What is the microcredit industry? How has that affected entrepreneurship in India?

Top: Bangalore is home to many international software and technology companies. **Middle Right:** Call centers in India provide good jobs for Indians who can speak well in languages such as English. Technology makes it possible for a person in India to assist a person in the United States with a customer service issue.