

GLOBALIZATION AND PATTERN OF ECONOMIC GROWTH IN INDIA

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Globalization refers to the opening up of the economic and free movement of all financial resources reducing all kinds of tariff and non-tariff barriers and quantitative restriction gradually. The forces of globalization emerged strongly and pervaded in all the countries from the early 1990s. Globalization extended its area of influence vividly encompassing all the spheres of the economy. Globalization is increasingly viewed as the only explanatory background for the analysis of almost all the current social and economic issues. It is expected that this will result in higher level of economic activity and with higher rates of employment and higher volume of trade with higher availability of goods.

The first four decades of economic planning in India was characterized by multiple controls, regulations and high degree of state interventions. Excessive controls and protection to industries led India to emerge as a weak, fragile and non-sustainable economy. By 1989 the situation of balance of payment and foreign exchange reserve became worse than ever before. Our international credibility reached the bottom which left no alternative but to go for major and rapid economic reforms that could assist in revival of our economy. Consequently, the then Union Government decided to adopt structural adjustment policy with liberalization, privatization and globalization agenda in 1991 to bring the economic crisis under control. The objective of new economic policy was reorientation of the economy from centrally directed and highly controlled economy to market friendly economy, of which, globalization was considered to be back bone.

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After over a decade of implementing economic reforms, an assessment of the impact of globalization is very relevant not only for the national economy but also for the states which are going to initiate the reforms.

In the light of above view, the present paper aims at-

- 1- Evaluating changing scenario of Indian economy during the era of globalization.
- 2- Enquiring into problems emerged but of globalization.
- 3- Probing into causes of these problems.

Post-Reform Scenario of the Indian Economy-

The position of import, export, foreign assistance and foreign direct investment in the decade of nineties can be seen by the table given below-

Table-1
Foreign Trade, Assistance and Investment in India and Developing Countries in the era of Globalization

Trade, Assistance and Investment	India		Developing Countries		Difference between Developing Countries and India	
	2001	2011	2001	2011	2001	2011
Import of goods & service (as % of GDP)	10	15	25	32	+15	+17
Export of goods & service (as % of GDP)	7	14	26	34	+19	+20
Manufactured Exports (as % of merchandise exports)	71	77	60	73	-11	-4
High Tech Exports (as % of manufactured exports)	4	6	8	27	+4	+21
Official Development Assistance (as % of GDP)	4	4	1.6	0.6	+1.2	+2
Net Foreign Direct Investment Inflow (as % of GDP)	1	7	9	3.0	+8	+2.3

Table-1 shows that India has performed better in all the above stated spheres of external sector in 2001 vis-à-vis in 1990. However, the performance looks to be unimpressive when it is compared with aggregate position of developing countries. Developing countries have been able to attract more FDI and to import and export more than India in 2021 in comparison to 2011. High-tech exports which arose to four and half times in 2011. Developing countries now export more than one third of their GDP whereas India only fourteen percent of its GDP.

India's performance looks to be better in one more area that it is reducing the gender disparity during the period of globalization. Ratio of girls to boys in primary education rose from .71 to .77, ratio of literate female to male from .74 to .82 and female's share of non-agricultural wage employment from 13 to 17 percent during the period of 2000-2001 to 2010-2011.

The situation of social sector seems to be precarious during the period of economic reforms.

Table-2

Change in Under-Nourishment, Mortality and Social Development in India and Developing Countries

Under-Nourishment, Mortality, Literacy and Sanitation	India		Developing Countries		Difference between Developing Countries and India	
	2001	2011	2001	2011	2001	2011
Under Nourished People (as % of total population)	25	24	21	18	4	6
Infant Mortality Rate (per 1000 live births)	80	67	70	62	10	5
Young Literacy Rate (% age 15-24)	55.3	68.4	81.1	84.8	25.8	16.4
People with access to	-	28	-	51	-	23

Improved Sanitation (% of total population)						
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It clearly shows that about one fourth population of India is under nourished in the new millennium and globalization of a decade in India has not been able to reduce this proportion. Developing countries were better placed in infant mortality, youth literacy and access to improved sanitation than India at the beginning of globalization. They are still in better position. However, India has been able to reduce the gap with developing countries in the sphere of infant mortality rate and youth literacy in the last decade.

EMERGING PROBLEMS

Problem of Sectoral Growth and Distribution

Economic development is characterized by declining share of agriculture and rising share of non-agricultural sector in national income. However, if there is lack of similar type of change also in consumption pattern and employment it leads to commodity gap and also to sectoral inequality. It can be obviously observed in recent growth pattern of Indian Economy.

Table-2.1

Share of Agriculture and Non-agriculture Sector in Income and Employment in India

Sectoral Share Worker	Agriculture		Non-Agriculture		Ratio of per Agriculture Income to Non-Agriculture Income	
	2001	2011	2001	2011	2001	2011
Share in Income	50	21	50	79	1:3	1:6
Share in Employment	74	60	26	40		

It is obvious from the table that non-agriculture sector increased its share in national income in due course of time but could not commensurately draw labour from the agriculture. This type of growth has occurred due to non-proportionate increase in share of service sector in national income. Consequently, share of agriculture worker to non-agriculture worker in income reduced drastically in due course of time. This type of sectoral change in employment and income has also led to commodity gap in the recent years. It has been shown in the following table-

Table-3

Sector wise Share in consumption and Production in Indian Economy in 2001-2011

Sector	Share in Consumption (In percent)	Share in Production (In percent)	Gap (In percent) (Excess of Production over consumption)
Goods sector (Food and Industrial Goods)	78	49	-29
Service Sector	22	51	+29

Above table shows that there is 29 percent commodity gap in Indian Economy Goods are scarce in supply and services in demand within the country. These scarcities and excesses may lead to inflation in goods sector and growing need of export in service sector. Income elasticity of demand for services in

Indian being about 1.7 may help in increasing consumption in service sector. However, export of services being 3 percent of GDP and about 6 percent of total production of services is not adequate to provide inducement to further growth of service sector in future. The actual exports will depend on continuation of the current comparative advantage and the extent to which other countries emerges as competitions in the field.

Sectoral pattern employment growth is shown in table 3. Annual regular wage employment in the previous ten years was greater than in the last six years. Growth in employment has been negative in agricultural sector over the entire period of globalization. Employment growth has been negative in organized sector. Employment grew at faster rate in unorganized sector. Annual rate of growth in industrial output, productivity and rate of profit in the latter decade was greater than the previous decade. However, share of wages in industrial sector reduced by one-third during the same period. It shows growing disparity between capitalist and workers within the industrial sector.

Despite all these problems, importance of growth of services cannot be undermined as it has been responsible for the transition of the Indian economy from a low growth trajectory to a high growth path for over two decades. However, implications and consequences of the poor performance of the other particularly the industrial sector, is of serious concern.

Table-4**Sector wise Annual Growth of Regular Wage Employment and Industrial Production in India**

Annual growth rate (in percent)	2001- 2011	2011-2013
Population	2.17	1.79
Labour force (UPS)	2.16	1.37
Employment (UPS)	2.17	1.34
Organized Sector	2.0	-1.1
Unorganized Sector	3.0	3.3
Regular wage Employment	2.1	1.7
Agriculture	-5.7	-2.7
Manufacturing	3.1	0.7
Other Industries	1.2	-1.0
Services	3.5	2.8
Industrial Output	7.16	8.29
Labour Productivity in Industry	1.28	1.51
Rate of Profit	13.06	13.93
Share of Wages (Average Annual Share) (UPS= Usual Principal Status)	26.59	17.20

Table-4.1**Distribution of GNP among the state in India during the Era of Globalization**

Share of States in GNP (in percent)	2001to 2011	2011to 2013	Change
Top five States	36.3	38.3	+2.0
Middle five States	25.1	26.4	+1.3
Bottom Six States (U.P, M.P., Rajasthan, Bihar, Orissa and	33.4	26.9	-6.5

Assam)			
Per capita GSDP of Bihar	50.87	31.98	-18.02
Per capita GSDP of U.P.	7.270	56.85	-15.85
Per capita GSDP of Orissa	64.54	54.54	-10.04
Per capita GSDP of Assam	67.70	59.14	-8.56

REGIONAL DISPARITY IN THE ERA OF GLOBALIZATION

Changing share of states in a decade of globalization has been shown in table 4.1. The table shows that share of top five states in GNP has increased by 2 percentage point and that of middle five states by 1.3 percentage point. On the contrary, share of bottom six states comprising U.P., M.P., Rajasthan, Bihar, Orissa and Assam in GNP decline by 6.5 percentage point during the one decade of globalization. Table also shows that per capita Gross State Domestic Product as percentage of average per capita income of India of Bihar decline by 18.2 percentage point of U.P. by 15.85 of Orissa by 10.04 and of Assam by 8.56 percentage point during the one decade of Globalization.

Among states, the correlation between per capita GSDP growth rate in the post-reform period of nineties and the index of social and economic infrastructure in 1995 as well as 2000 is positive and significant. The states whose initial or pre reform conditions were favourable in respect of infrastructure could benefit more from the opportunities opened up, especially in the service sector, by globalization.

The regional disparity has also been more because private investment has been flowing basically to the high income states also characterized well developed infrastructure. Higher credit deposit ratio of Scheduled Commercial Banks for the richer states and lower for poorer states added fuel to the fire of regional disparity.

The planning Commission has recognized growing regional disparities and suggests need of revising Gadgil Formula in order to bring change in existing pattern of central assistance for state plans for making progress towards mitigating these imbalances. The helplessness revealed by Twelfth Finance Commission- „The recent proposals for modification have not been able to generate the required consensus among states. It appears that the normal central assistance is likely to continue in its present form in the near term“, shows lack of any possibility of improvement in this regard in near future. However, in liberalized market-driven policy environment, the responsibility of planning commission is greater for ensuring a level playing field for less developed states and regions.

CONCLUSION

On the basis of the above discussion it is possible to draw following inferences-

- 1- The recent trend of economic growth in India to some extent may be characterized by success in external sector and gender equality. However, this looks to be less impressive when compared with overall performance of developing countries.
- 2- The recent strategy for economic growth in India has led to jobless growth. Hence, this growth cannot serve larger interest of the society.
- 3- Share of agricultural to non-agricultural income has been reducing rapidly and persistently leading to sectoral inequality. Hence, it pauperized rural masses further.
- 4- Increasing share of service sector in national income and consumption pattern in favour of goods sector has led to commodity gap in Indian economy. It necessitates reorientation of plan priority in favour of higher growth in industrial sector for more employment and more production thereby.
- 5- Recent pattern of growth in India is also characterized by widening economic disparity between rich poor states. Despite realization of this vital fact nothing substantial could be done so far, planning Commission has to play significant role in this respect.

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