

## What Had India Achieved during the Period of Liberalisation?

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### Introduction

Due to either economic compulsion or the compulsion of IMF or IBRD, India adopted a new economic policy called globalisation in July 1991. At the close of the 1980s, there were very serious economic problems in the country, particularly foreign exchange shortage. The reserve available was only 1.1 billion dollars, which was enough for just two weeks' imports [1]. As there was no alternative to other than adopting globalisation, India adopted it and so it is called a TINA (there is no alternative) country. The reform itself is called neo-liberalisation or globalisation or financialization [2]. The economic reform has brought out structural changes in the operation of the economy. It changed the role of the state and the role of private enterprise was given much importance. Due to LPG, (Liberalisation, Privatisation and Globalisation) India experienced a lot of changes. To some economists, it brought out drastic positive changes and to some others it brought out drastic negative changes. The changes that happened are reflected in the economy's constituents/sectors. As July 2016 is the beginning of the 26<sup>th</sup> year of economic reforms, it is the duty of researchers to highlight the important changes that have happened in the various economic fields of the Indian economy. As a researcher, the author of this article also ventures into highlighting the changes that happened in the important constituents of the Indian economy.

### Economic growth

Nobody can deny the fact that India experienced a faster economic growth during the post-reform period than the pre-reform period. The two countries that experienced a high economic growth after globalisation are India, the elephant and China, the dragon. During the planning era, India achieved only the 'Hindu Rate' (<3.5%) of growth, but after globalisation the GDP's growth is more than 6% per annum. The GDP's growth in the past 25 years of pre-globalisation period (1965-1990) was only 4.1% and the per capita income's growth was only 1.9% per annum, but during the last 25 years of post-reform period (1990-2015) the GDP's growth is 6.3% and the per capita income's growth was 4.6% per annum [3]. The size of GDP today is 6.3 times higher than the size of GDP in 1991 [4]. Thus, there is much increase not only in the GDP but also in the per capita income.

There is also much change in the sectoral contribution to the GDP and the growth rate attained by the three sectors during the post-reform period. The contribution of agriculture to the GDP of the country decreased from 28.54% in 1991-'92 to 15.4% in 2015-'16, while the contribution of manufacturing increased from 14.51% to 17.5% and the service sector's contribution increased from 43.91% to 64.1% in the respective years. However, the growth of the agriculture and allied sector was nearly -2% in 1991-'92, but it is above 4% in 2015-'16. The growth of the manufacturing sector also experienced negative growth of above 2% in 1991-'92, while its growth is above 9% in 2015-'16. On the other hand, the service sector shows positive growth in both the periods, nearly 8% in 1991-'92 and about 10% in 2015-'16. The number of companies registered also increased from 21791 in 1990 to 86854 in 2010, but decreased to 70043 in 2014. The number of companies closed due to various reasons increased very much during the post-reform period. The number of industrial units that closed has increased from 154 in 1990 to 493 in 1993 and in between 1991 and 1998, 1862

units were closed and the number of workers affected by closure was 1.33 lakhs and by retrenchments was 22751 between 1991 and 1998 [5]. There were 4.3 million weavers in the country in 1987-'88, but only 3.4 million weavers in 1995-'96, a drop of nearly one million in nine years [6].

### Agriculture and per capita food grains

Under neo-liberalism, the role of the state has completely changed. During the planning era, every step was taken to protect and promote the interests of traditional petty producers including agriculture. In agriculture, there is drying up of institutional credit. The public investment in agriculture declined continuously. It reached an abysmal level of 0.4% of the GDP in 2015 [3]. Agriculture remains trapped in backwardness and contributes a lot to the rising income inequality in the country. Due to undue volatility and non-remunerative prices of agricultural products, the farmers' income has reduced much. All these have resulted in the spate of peasant suicides, broadening of agrarian crisis and the quitting of agriculture by farmers. So far more than 3.5 lakh farmers have committed suicide [7]. Due to all unfavourable conditions, there is 327% increase in agrarian riots between 2014 and 2015. There were only 628 riots in 2014, but it increased to 2345 in 2015. In the country's history, the number of agricultural labourers exceeds that of cultivators [8]. Nearly 30% of the rural households are landless [9] and depend on manual labour for their livelihood. The Indian agricultural sector experienced only a very low growth rate and in many years, agriculture saw only a negative growth. Nearly 50% of farmers have already quitted agriculture.

The prices of almost all agricultural products are non-remunerative. For example, the price of tomatoes falls below three rupees in good seasons. Though subsidies on fertilisers and electricity have increased from Rs. 9000 crore in 1991 to Rs. 83,000 crore in 2015, they are largely usurped by rich farmers just like the waiving of loans is enjoyed by big farmers [3]. It is reported that subsidies worth over one lakh crore rupees a year that are meant for the poor are feed off by India's rich. For example, the rich avail nearly 88% of the subsidy on kerosene, 86% of the subsidy on LPG, 84% of the subsidy on electricity and 95% of petrol subsidy [10].

As food grains' supply, has not been increased in proportion to the increase in population, the per capita availability of food grains has declined very much. Though the grains' production has reached an all-time height of 265 metric tonne in 2013-'14 [11], the per capita food

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Received December 19, 2016; Accepted January 10, 2017; Published January 20, 2017

Citation: Cyril Kanmony J (2017) What Had India Achieved during the Period of Liberalisation? Arabian J Bus Manag Review 7: 290. doi: 10.4172/2223-5833.1000290

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grains availability has decreased from 177 kg for the triennium ending 1991-'92 to 163 kg for the triennium centred 2011-'12 [8]. The annual food grains absorption rate in India is much lower than that in sub-Saharan Africa. As per the FAO records, food price Index was only 89.9 in 2002, but it increased to 211.8 in 2012 [12]. In the Global Hunger Index, also, India is ranked after Nepal with the 56<sup>th</sup> position in 2014 out of 76 countries listed and in 2010, out of 84 countries listed, India occupied only the 67<sup>th</sup> position. Thus, in India, there is simultaneous existence of impressive growth and mass hunger.

## Employment

There is great expectation in India that on the line of greater economic growth, there is also greater employment generation. It is not so; there is growth of GDP without proportionate growth in employment generation, jobless growth [13]. The employment opportunities provided by the organised sector is almost stagnant with 26.7 million jobs in 1991 and just 30 million in 2015. The increase in job opportunities in the organised sector is only about 3 million in 25 years. On the other hand, the number of jobs in the public sector has declined from 19 million in 1991 to 18 million in 2015. It means that there is an increase in job opportunities only in the private corporate sector. Even the increase is not very much and is estimated at 44 million. During the last 25 years, the workforce has increased by over 200 million. It means that the generation of jobs across the country over a period of 25 years is well under one fourth of the job asking rate. In percentage term, the growth of employment between 1972 and 1994, which is almost 2.3 per annum, slowed down to 1.4 between 1993 and 2000, increased to 2.8 between 1999-'00 and 2004-'05 and collapsed to 0.10 per annum between 2004 and 2010. In short, during the post-reform period, as per the data available, most of the growth has been job destroying as millions of workers were laid off after 1991 as the 'hire and fire' policy has been in practice.

The growth rate of employment in the organised sector was 1.2% during 1983-'94, but it was only 0.53% between 1994 and 2000. In the unorganised sector, the respective figures are 2.05% and 1%. The growth rates are 2.04% and 0.98% if both the sectors are taken together [13]. The number of persons who applied for a post is 150 to 600 times higher than that of the availability [7]. There is high struggle even for a sweeper post in government offices by graduates and post-graduates. There is huge migration of labour from rural areas to urban areas in search of non-existent jobs.

Employment growth in the agriculture sector also shows negative growth during the post-reform period. Between 1981 and 1991, the exponential growth rate of employment in the organised agricultural sector was 0.011%, but it was -0.004% in between 1991 and 2001. In the manufacturing sector, though there was positive growth of employment (0.016%) during the post-reform period, there is negative growth (-0.004%) during the pre-reform period. On the other hand, in the public sector, there was positive growth (0.02%) during the pre-reform period (1981-1991), but only negative growth (-0.463%) during the post-reform period (1991-2001). Positive changes in employment happened only in the service sector [5].

## Consumption

Indian markets are flooded with not only Indian goods but also foreign goods in the reform era. Consumers can purchase any kind of goods produced by any country. Before globalisation it was not possible to get a two-wheeler or a four-wheeler without waiting for a long period, but nowadays, there are many auto agencies at your door

step if you have a proposal to own a vehicle. Though online trade is the reason for rising prices of few goods, it is also the reason for getting goods at more than 50% less price than the MRP, particularly books and electronics. For example, the book written by the Nobel laureate Malala is available online for 110 INR though its MRP is 350 INR. A few years back an ordinary mobile phone's price was Rs. 40,000/- but now it is less than Rs. 5000/- and a computer was priced at Rs. 60,000/-, now it is only less than Rs. 20,000/- What a development that we achieved after globalisation. However, the pattern of consumption has seen a drastic change, the consumption of narcotic items increased considerably. The consumption of pan, tobacco and intoxicants increased from 65 billion Indian rupees in 1987-'88 to 135 billion Indian rupees in 1997-'98 [14]. As per the National Family Health Survey - 3, in India, the percentage of men using tobacco was 50.12 and taking alcohol is 38.16 [15]. In Tamil Nadu, there are 5030 higher secondary schools but there are 6832 government run liquor shops (The Hindu 10.10.2014).

## Poverty

Generally, it is accepted that greater economic growth is followed by much reduction in poverty. In India, also at present, poverty, in absolute term, is less than half of the rate that it was in 1991. The poverty ratio has declined from 46% in 1993 to about 21% in 2012. However, in relative terms, it has increased instead of declining. The urban poverty has declined marginally from 60% in 1973-'74 to 57% in 1993-'94 but increased to 65% in 2011-'12 whereas the rural poverty has increased from 56.4% in 1973-'74 to 58.5% in 1993-'94 and further to 68% in 2011-'12 [8]. Though a number of flagship programmes such as MGNREGP and PDS have been introduced, the poor continue to be not only poor but also deprived of basic facilities such as safe drinking water, sanitation, housing, electricity and roads.

## Malnutrition

Malnutrition is highly prevalent in India. In 2015, the rate of stunting is 38.7%, wasting is 15.1%, anaemia in women in the productive age is 48.5%, and 30% of children are born with low birth weight. Hence, India is ranked 114 on the incidence of stunting out of 132 countries taken for ranking, ranked 120 on the incidence of wasting out of 130 countries, and ranked 170 on the incidence of anaemia out of 185 countries taken for ranking. Every year we add seven million potentially wasted and stunted children to our population [16]. The under-five child mortality rate (U5CMR) has decreased from 126 in 1990 to 49 in 2013. Further, every year, 1.3 million under-five children die. In immunisation coverage our movement is very slow, 61% in 1990 to 65.3% in 2013 [17,18]. It is sad to note that even Bangladesh and Nepal are in better positions in nutrition standard than India. Open defecation, which is a reason for malnutrition in India, is 52.1% [7].

## Education and healthcare

After globalisation, India has seen the establishment of a large number of educational institutions, but the quality of education is not up to the mark. There were only 5748 colleges and universities in 1990-'91, but in 2013-'14 there were 36,671 colleges and universities, and this shows an increase of 537%. No Indian university is placed in the list of 200 best universities at the global level. However, due to commercialisation of education, the poor and marginalised are deprived of education though the Right Education Act has been passed by the Indian government. The percentage of expenditure of states on education has declined from 21.08% during the pre-reform period to 19.7% during the post-reform period (EPW 04.03.2000). The poor are excluded from the private provision of services. Due to the breakdown

in public education, importance is given to private tuitions and crammers, which are not accessible to the poor and the marginalised. In Tamil Nadu, there are nearly 1.5 lakh vacancies in the engineering colleges, but children from poor families are unable to get admissions due to the high cost of private education. Many sanctioned post in schools, colleges and universities are left vacant.

The general trend after globalisation is pruning of expenditure on service sector, particularly the healthcare sector. The amount allotted to this sector decreased considerably during the post-reform period. The expenditure on health in revenue budget was 7.02% in 1985-'86 and 5.72 in 1991-'92. It continuously declined after that and reached 4.2% in 2011-'12. The overall expenditure on health was only 1% of India's GDP, but it is around 20% in the USA [19]. Though India has nearly 10 lakh allopathic doctors [20], 57% of them, in 2001, did not have the prescribed qualifications [21]. Further, there is heavy shortage of doctors in government hospitals. Every government allopathic doctor has to serve around 11,000 people. The shortage of specialised health personnel in rural India is as follows: surgeons 83.4%, obstetricians and gynaecologists 76.3%, physicians 83% and paediatricians 82.1%. There is an overall shortage of specialists in Community Health Centres (CHCs) [22]. In Tamil Nadu, one of the better performing states in healthcare, the shortage of specialists in CHCs is 100% [23].

### Air and water pollution

Many diseases are caused by pollutants prevalent in air and water. Air is polluted with three important substances. They are: nitrate (NO<sub>x</sub>), sulphate (SO<sub>2</sub>) and PM<sub>2.5</sub>. Transport is the main contributor of nitrate, the power sector of sulphate and the residential sector of PM<sub>2.5</sub> (particulate matters of diameter less than 2.5 micrometre). Among the major polluting agents, transport is the main agent to outdoor pollution. India is placed at the sixth place in terms of the number of automobiles produced while China occupies the first place. The annual motor vehicle production in India has increased from 2.25 million in 2007 to 3.94 million in 2011. Vehicular pollution is nearly 60% of the total air pollution. In India, the total nitrate produced in a year is 7.1 metric tonnes, sulphate is 8.9 metric tonnes and PM<sub>2.5</sub> is 5.8 metric tonnes. Nearly 90% of the carbon-di-oxide is generated by automobiles [24]. Of the automobiles, poorly maintained and old vehicles pollute much more than the new standard vehicles. In India, nearly 20% of vehicles are very old. In Tamil Nadu, there are state transport vehicles with TMN registration numbers, apart from a large number of very old private trucks and buses. Thermal power units also contribute to the already polluted air.

In India, nearly 75% of rural households use solid fuel for cooking and other household purposes [25]. In India, the indoor air pollution that is due to the use of solid fuel alone causes 4.7% of the total health loss in 2013 [26]. The maximum PM<sub>2.5</sub> level allowed indoor is 20 µg/m<sup>3</sup>, but in India it is 375 µg/m<sup>3</sup>. Indoor air pollution is the cause for nearly three million deaths, particularly women and children in India. Indian cities like Varanasi, Delhi, Faridabad, Agra and Kanpur are highly polluted cities in the world, the worse than Beijing of China. In Varanasi 48% of days in 2015 had air quality below the satisfactory level and Bangalore, which is the 10<sup>th</sup> highest polluted city in India had an air quality of 378 µg/m<sup>3</sup> [27]. It is reported that less than 1% of India's population lives in areas that meet the WHO guidelines on air quality. Hence India is ranked 155 on air quality among 178 nations taken for comparison [28].

Water pollution is the cause of nearly 80% of all diseases in one way or the other [29]. Today more than 1.95 crore habitations are affected by

poor water quality. Over 3.6 crore people are exposed to water-related health hazards. In India, nearly 66 million persons are affected by excess fluoride, 37.7 million by bacteriological contamination and 1.5 million child fatalities are due to diarrhoea, which is due consumption of polluted water [30]. The various sources of water contamination are: landfills, septic tanks, leaky underground gas tanks, over use of fertilisers and pesticides, over exploitation of ground water, open defecation, leakage of untreated effluents and sewage into water bodies and aquifers. The volume of plastic waste generated is approximately 15,300 tonnes per day. There is also a rise in the uncaring attitude of people towards the environment. The main reason for this state of affair is globalisation. Only because of globalisation the wastage in all sectors, particularly the household sector, is more.

### Road, transport and communication

There is much improvement in not only the length but also the quality of roads. The length of roads has increased from nearly 20 million km in 1991 to 48 million km in 2012. The number of vehicles on the road is exploding. There are so many vehicles of sophisticated and luxurious nature that had not been available during the pre-reform period. The number of telecom subscribers has increased and reached 106 crores in 2015-'16 against only around 2 million in the 1980s and the users of internet and number of persons doing online purchase have also increased much.

### Trade and foreign exchange

Once there was huge trade deficit and unfavourable balance of payments. However, during the reform period there are favourable changes in both trade and payments. At the time of reform India had only limited foreign exchange reserves. The average applied import tariffs have been brought down heavily, from 82% in 1990 to less than 10% in 2014. Exports of goods and services have increased from \$22.6 billion in 1990 to \$522 billion in 2014 [3]. Foreign exchange reserve was only 9220 million dollars in 1991-'92, but it increased to 294,398 million dollars in 2015-'16. However, India's trade deficit has increased from 12.5 billion dollars in 2000-'01 to 105.6 billion dollars in 2015-'16 [31]. The share of trade in GDP has also experienced a drastic change. On an average, the share of trade in the GDP was only 11.5% per annum during the pre-reform period, but it increased very much during the reform era to 48.7% in 2015 [3].

### Foreign direct investment and international investment position

The flow of capital investment into India is sumptuous during the post-reform period. The amount of foreign direct investment in India has increased continuously. In 2000-'01, the foreign direct investment was only Rs. 4031 crore, it increased to 41,738 in 2008-'09, but decreased to Rs. 34,426 crore in 2014-'15.

The net negative investment (capital outflows) has gone up from 41.8 billion dollars in 2004-'05 to 363 billion dollars in 2014-'15 [31]. India is ranked 73 in the Global Entrepreneurship and Development Index out of 78 countries compared [32]. It means that India is not a suitable country for doing investment.

It is very clear from the above analysis that the growth of the Indian economy is not inclusive but exclusive and there is no all-round development but only selective development. During the liberalisation period, the poor and the marginalised are excluded while the rich became richer and certain sectors including agriculture and handloom are neglected, while service sector flourishes. Employment

opportunities available to people of different categories are not glittering but gloomy. Poverty is not eradicated and education is a distant dream to the poor. Even potable water is not adequately supplied and sanitation facility is not available to more than 50% of the Indians. Healthcare services are also not accessible to many Indians. Our water bodies are highly polluted and the air that we breathe is the cause for many illnesses. Millions of children are malnourished, stunted, wasted and underweight. Half of women of productive age are anaemic. India is at a very bottom position in human development and happiness indices, but at the top position in hunger and poverty indices. However today Indians enjoy the availability of many types of commodity and high class road and communication facilities. Hence it is apt to quote the statement made by Prabhat [8] that, “the period of boom is also one of growing hunger, one cannot conclude the opposite, namely that a period of crisis is one of growing plenitude for the people”.

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