INDIAN ECONOMIC DEVELOPMENT - I

UNIT: I ECONOMIC GROWTH AND ECONOMIC DEVELOPMENT

Economic growth : A country's economic growth is usually indicated by an increase in that country's gross domestic product, or GDP. Generally speaking, gross domestic product is an economic model that reflects the value of a country's output. In other words, a country's GDP is the total monetary value of the goods and services produced by that country over a specific period of time.

Economic development : A country's economic development is usually indicated by an increase in citizens' quality of life. 'Quality of life' is often measured using the Human Development Index, which is an economic model that considers intrinsic personal factors not considered in economic growth, such as literacy rates, life expectancy and poverty rates.

Factors Determining Economic Development :

Economic development is defined as the process of increasing national income of a country over a long period of time. The real national income indicates the quantity of goods and services produced in a country. Economic development is determined by two types Of factors, economic and non-economic. The economic factors are natural resource, human resources, capital-output ratio, technology etc. The social, political, religious and moral values of the people are non-economic factors. Economic development is not possible so long as the non-economic factors do encourage economic development.

1. Economic factors : Economic factors are regarded as the forces that influence economic development. Some of the economic factors are discussed as below. :

a) Natural Resources : One important factor that influences economic development of a country is the natural resources. Natural resources include the fertility of soil, forestry, minerals, climate, water resources etc. The existence of natural resources in abundance is essential for economic development. A country which is deficient in natural resources will not be in a position to develop rapidly. But the presence of abundant resources is not sufficient for economic development. If the resources are not being properly utilized, the country cannot make progress. Thus, development depends only upon the availability of resources but also on the utilization of the same.

b) Capital accumulation : Capital formation is another important factor of economic development. The rate o capital formation should rise from the present 18% to 30% of the national income. Capital increases the productive efficiency of the laborers. It not only raises production but also employment opportunities. Capital formation leads to technological development. Development of infrastructure is possible through capital formation. Capital formation also leads to the utilization of resources, industrialization and expansion of markets.

c) Capital-output ratio: The capital output ratio indicates the relationship between capital and output. It refers to the amount of capital required in order to produce a given level of output. For example, if we invest $300 of capital and get $100 of production, the capital output ratio is 3 : 1. To achieve economic development the capital — output ratio should be reduced. The lower the capital – output ratio, the higher will be the rate of economic development and the higher the capital output ratio, the lower will be the rate of economic growth. This ratio is high in backward countries. Technological and managerial changes should be made to reduce this ratio. Thus, economic development depends not only on the amount of capital accumulation but also on capital – output ratio.

d) Technological progress: Technological progress is regarded as another important factor in determining the rate of economic development. Technological progress results in increased productivity. It also helps in overcoming the scarcity of resources by developing alternative methods of production, It leads to specialization and large scale production. It helps us to make more effective exploitation of natural resources.

e) Growth of population : Rapid growth of population is considered to be an important determinant of growth. In under developed countries the rate of population growth is very high. It exceeds the rate of growth of national income. Consequently, the per capita income and standard of living will be at low level. Hence, economic development is possible only when growth of population is less than the rate of growth of national income. Therefore, the rate of population growth has to he slowed down

2. Non — economic factors : The non-economic factors provide the requisite social climate for economic development. The key to development lies in men's mind. Economic development cannot take place unless people are educated. Joint family system, caste system and religious beliefs that obstruct economic development should be changed. The political factors also should be changed. The quality of administration should he improved. Thus, the government should take an active Part to change the socio-cultural attitudes of people.

MAJOR OBSTACLES IN THE WAY OF ECONOMIC DEVELOPMENT OF THIRD WORLD COUNTRIES

There are many barriers and difficulties in the way of economic development of less developed countries. Development for developing nations is desirable but not achievable due to a lot of hurdles. These obstacles are grouped into the following five categories:

Economic Obstacles

Social Obstacles

Cultural Obstacles

Political Obstacles and

Administrative Obstacle

Economic Obstacles :

Some of the main economic obstacles are given below:

1- Deficiency of Capital and Foreign Exchange

2- Vicious Circle of Poverty

3- Backward Natural Resources

4- Backward State Technology

5- Inflation

6- Low Per Capita Income

7- Internal and External Debts

8- Dependence on Agriculture.

9- Dualistic Economy

10- Deficit Balance of Payment

Social Obstacles :

Illiteracy

Low of Living Standard

Joint Family and Caste system

Unproductive Expenditure

Consumption Oriented Society

Rapidly Rising Population

C. CULTURAL OBSTACLES

Cultural obstacles are given below:

Customs and Traditions

Wastage of Resources in Litigations

Low Participation of Women

Out-flow of the Best Brain

In-efficient Entrepreneur

D. POLITICAL OBSTACLES

These are political obstacles in the way of economic development:

Political Instability

Mis-use of Authorities

Insincere Leaders

Changes in Fiscal Policy

E. ADMINISTRATIVE OBSTACLES

<u>Corruption</u>

<u>Favouritism and Nepotism</u>

<u>Lengthy Legal Process</u>

<u>Mis-use of Authorities</u>

<u>Law and Order</u>

<u>Conclusion:</u>

Economic development in developing countries is facing a lot of problems. It is very difficult to remove all these obstacles but not impossible. Government should adopt self-reliance policy and adopt modern technology to remove these complications.

Issues in Economic Development of India :

The following points highlight the eight major problems of the Indian economy. Some of the problems are: 1. Low level of national income and per capita income 2. Vast inequalities in income and wealth 3. Predominance of agriculture 4. Tremendous population pressure 5. Massive unemployment and Others.

1. Low level of national income and per capita income:

Economic growth of any country can be viewed from its level of national income and per capita income.

It is said that higher the level of national income, higher is the rate of economic growth.

India's net national product (NNP) at factor cost in 2007-08 at 1999-2000 prices stood at Rs 27,60,325 crore. Population during the time stood at 1124 million.

This amounts to saying that per capita NNP came to Rs 24,256 or Rs 2,021 per month. Standards of living of masses are miserably low. Even the basic necessities are beyond the means of the majority of population. Comparing India's per capita income with the other countries of the world, one comes to the conclusion that India is one of the poorest nations of the world.

2. Vast inequalities in income and wealth:

Not only per capita income is low, but Indian economy is also marked by great inequalities in the distribution of income and wealth. In India, as years roll on, inequalities are on the rise. The logical corollary of this inequality is mass poverty. Nearly 60 p.c. of the total population share one-third of India's national income while only rich 5 p.c. of the total population enjoy the same amount of national income.

This inequality widens the problem of poverty. Even in 1972-73, more than 50 p.c. of the total population lived below the poverty line. Thanks to some economic progress it has come down from 36 p.c. in 1993-94 to about 27.5 p.c. in 2004- 05, poverty estimate based on Uniform Recall Period. In short, Indian economy still reels under the vicious circle of poverty.

3. Predominance of agriculture:

Less developed countries live mainly upon agriculture and extractive industries, like mining, fisheries and forests. Predominance of agriculture is explained from the viewpoint of sectoral composition of national income and occupational pattern.

In India, in 1950- 51, more than 55 p.c. of our GDP came from the agricultural sector or the so- called primary sector. In 2007-08, however, the contribution of this sector toward GDP came down to 19.4 p.c.

The contributions of the secondary and tertiary sectors were 24.9 p.c. and 55.7 p.c., respectively. Thus, even after 58 years of planning, agriculture alone contributes less than one-fifth of our national income. Occupational structure also tells a story of predominance of the agricultural sector and the backwardness of the industrial sector.

In India, 52 p.c. of the total population was engaged in agriculture in 2004-05. Though agriculture occupies a predominant position in India, it is still backward.

4. Tremendous population pressure:

In LDCs, the rate of growth of population is very high. So far as the size of population is concerned, India ranks second next only to China (1312 million in 2006). India's population is now 1110 million in 2006- 07. During the decade of 1991, the growth rate of population in India was 1.61 p.c. per annum, as compared to 0.7 p.c. growth rate of population of developed countries.

High birth rate (23.5 per 1000) coupled with low death rate (7.5. per 1000 in 2005-06) is the genuine cause for population explosion in India. In the 20th century, India's population went up by 5 p.c. as against 3 p.c. increase in the world's population as a whole.

5. Massive unemployment:

In LDCs, not only natural resources are under-utilised but also a massive wastage occurs in the case of manpower resources. Slow economic growth rate on the one hand, and rapid growth of population on the other hand, has accentuated the problem of unemployment in India.

Between 1971 and 1999, the number of unemployed in India increased by 10 times though the number of job-seekers increased by 2.5 p.c. annually; but the employment possibilities increased by a modest rate of 1.8 p.c. Number of registered job-seekers in 2006-07 stood at 40.7 million. Unemployment rate has been rising persistently since the days of economic reforms began. It rose from 1.96 p.c. in 1993-94 to 2.39 p.c. in 2004-05.

However, employment growth in 2004- 05 that stood at 2.89 compared to 0.98 p.c. in 1999-2000 is an encouraging development. But employment growth in recent decades is not commensurate with the labour force growth rate. What we experience now is the 'jobless growth'.

The rate of growth of employment in the organised sector came to a negative of 0.31 p.c. during 1994-2005 as compared to 1.20 p.c. in 1983-1994. Some people call it 'job loss growth'.

Not only this, Indian agriculture exhibits a considerable amount of under-employment and disguised unemployment. In the urban areas also, we find disguised unemployment. It is somewhat tragic as well as paradoxical that, despite massive investment made during the plan period, unemployment problem has assumed a gigantic proportion. This amounts to huge wastage of human capital.

6. Scarcity of capital and low rate of capital formation:

As people in LDCs are poor, their capacity to save is low. This results in a low rate of capital formation. That is why development economists suggest that to break the vicious circle of poverty it is necessary to push up the rate of investment. Since India is a capital-poor country, capital per head is low. This scarcity of capital causes overall backwardness of the Indian economy.

In 1950-51, net savings and net investments stood at slightly more than 6 p.c. and these two increased to 14.8 p.c. and 16 p.c., respectively in 2001-02. The position, however, in recent times has improved a lot. These two figures increased to 27.1 p.c. and 28.4 p.c. of NDP in 2006-067. This is an encouraging development for the Indian economy.

Along with the low volume of physical capital, human capital formation is also low. As per 2001 Census, 34.62 p.c. of the total population at that time was illiterate. The literacy rate has gone up to about 64.8 p.c. by 2001—of course, by mathematical jugglery.

Mass illiteracy acts as an impediment to India's economic development. India has the dubious distinction of having largest number of illiterate population (304 million) in the world. India has an adverse sex ratio with only 933 women per 1,000 men in 2001.

7. Underdeveloped infrastructure:

Being an LDC, India's infrastructural facilities or economic and social overheads of capital are inadequate. It consists of (a) transport and communications, (b) energy, (c) finance, housing and insurance, (d) science and technology, and (e) health, education, etc.

Availability of these infrastructures creates the conditions for favourable growth. The superstructure of an economy largely depends on the availability of infrastructural facilities.

As far as social and economic overheads are concerned, India is poor. It is indeed true that her railway and road networks are comparable to the developed nations. But her demand for infrastructural facilities and services outpace their supplies. Per capita energy use (oil equivalent) of an Indian in 2004 was 531 kg vis-a-vis USA's 7,921 kg. Even China's per capita energy use was higher (1,242 kg.) than India's.

Compared to other countries, India is poor in information technology. In 2005, the use of personal computers per 1,000 Indians was as low as 16 as against 762 per 1,000 US people. India's health expenditure as a percentage of GDP was 1.39 p.c. in 2007-8 over the USA's 15 p.c. of GDP.

Thus, India's social infrastructural facilities are not only inadequate compared to the needs, but also awfully low compared to different countries of the world.

8. Low level of technology:

Due to illiteracy, use of advanced or sophisticated technology is rather an exception in India. Because of the limited growth of technological institution, we are forced to use primitive methods of technology whose productivity is low.

Though modern industrial sectors employ advanced technology, village industries still employ old and hackneyed methods even in the age of modern science and globalized world. This is nothing but technological dualism that persists in LDCs like India. Truly speaking, low productivity of Indian labour is explained in terms of low level of technology.

From the above discussion, we can conclude that all the characteristics of LDCs are found in India. No doubt, during the planning era, she has made progress in different directions. Still, considering the needs of the country, it is inadequate.

Indian economy is characterised by low per capita income, widespread poverty, massive unemployment, gigantic rise in population, and so on. So, India is an underdeveloped country. India is one of the poorest nations of the world. Her position is worse compared to even some African countries!

UNIT- II OVERVIEW OF INDIAN ECONOMY

Characteristics of Indian Economy :

Indian economy is an under developed economy in which Agriculture is the back bone of Indian economic. 60% of India's population are on the below poverty line. Mineral resources are not fully utilized. We are selling iron ore by trucks and getting blades by packets. Majority of the people of India are leading a poverty line. Indian economic is affected by it. Countries which are on the part of progress and which have their potential for development are called developing economic. So India is termed as developing economic by modern views.

1. Low per capita income:

Under developed economy is characterized by low per capital income. India per capital income is very low as compared to the advanced countries. For example the capital income of India was 460 dollar, in 2000. Where as their capita income of U.S.A in 2000 was 83 times than India. This trend of difference of per capita income between under developed and advanced countries is gradually increasing in present times. India not only the per capita income is low but also the income is unequally distributed. This mal-distribution of income and wealth makes the problem of poverty in ore critical and acute and stands an obstacle in the process of economic progress

2. Heavy Population Pressure:

The Indian economy is facing the problem population explosion. It is clearly evident from the total population of India which was 102.67 cores in 2001 census. It is the second highest populated country China being the first. India's population has reached 110 cores. All the under developed countries are characterized by high birth rate which stimulates the growth of population; the fast rate of growth of population necessitates a higher rate of economic growth to maintain the same standard of living. The failure to sustain the living standard makes the poor and under developed countries poor and under developed.

3. Pre-dominance of Agriculture:

Occupational distribution of population in India clearly reflects the backwardness of the economy. One of the basis characteristics of an under developed economy is that agriculture contributes a very large portion in the national income and a very high proportion of working population is engaged in agriculture

4. Unemployment:

There is larger unemployed and under employment is another important feature of Indian economy. In under developed countries labor is an abundant factor. It is not possible to provide gainful employment the entire population. Lack of job opportunities disguised unemployed is created' in the agriculture fields. There deficiency of capital formation.

5. Low Rate of Capital Formation:

In backward economics like India, the rate of capital formation is also low. capital formation mainly depends on the ability and willingness of the people save since the per capita income is low and there is mal-distribution of income and wealth the ability of the people to save is very low in under developed countries for which capital formation is very low .

6. Poor Technology:

The lever of technology is a common factor in under developed economy. India economy also suffers from this typical feature of technological backwardness. The techniques applied in agriculture industries milling and other economic fields are primitive in nature.

7. Back ward Institutional and social frame work:

The social and institutional frame work in under developed countries like India is hopelessly backward, which is a strong obstacle to any change in the form of production. Moreover religious institutions such as caste system, joint family universal marriage affects the economic life of the people.

8. Under utilization of Resources:

India is a poor land. So our people remain economically backwards for the lack of utilization of resources of the country.

9. Price instability:

Price instability is also a basis feature of Indian economy. In almost all the underdeveloped countries like India there is continuous price instability. Shortage of essential commodities and gap between consumption aid productions increase the price persistently. Rising trend of price creates a problem to maintain standard of living of the common people.

In a mixed economy, private and public sectors go side by side. The government directs economic activity in some socially important areas of the economy, the rest being left to the price mechanism to operate.

Before Independence, Indian economy was a 'laissez faire' economy. But post-independence, she adopted the mixed economy system.

Thus, it is clear from the following arguments that our economy is a mixed economy.

(i) Coexistence of Public and Private Sectors:

The coexistence of large public sector with big private sector has transformed the economy into a mixed one. Industrial policies of 1948 and 1956 formulated by the Indian government have made the provision of such coexistence. Some basic and heavy industries are being run under the public sector. However, with the liberalisation of Indian economy, the scope of private sector has further enhanced.

(ii) Planned Development:

India had a poor industrial base at the time of Independence. A long period of economic stagnation under British rule had weakened the Indian Economy. Hence 5-year plans have been adjusted along with the Directive Principles of State Policy to rebuild the rural economy and lay foundations of industrial and scientific progress.

(iii) Plan Objectives:

In 1951, Five Year Plan was started in India and we are going with the eleventh Five Year Plan.

The basic objectives of these plans are summarized as:

a) Economic growth;

(b) Modernisation;

(c) Self-reliance;

(d) Social justice;

(e) Elimination of Poverty;

(f) Creation of conditions of near full employment; and

(g) Satisfaction of basic needs like food, clothing, shelter, education health etc.

(iv) Role of Public Sector:

It has played an important role in the development of Indian economy. It increased the pace of economic growth and reduced disparities of income and wealth.

It seriously acts in the following areas, like:

(a) Development of infrastructure;

(b) Establishment of basic and heavy industries;

(c) Dispersing industries in several backward regions; and

(d) Imperative role in trading and marketing activities, including international trade.

(v) Private Sector:

It includes not only organised industry, but agriculture, small industry, trade and great deal of activity in housing and construction. Private sector provides employment to three-fourths of| our manpower. To control the private industrial units. Industries Development and Regulation! Act and Monopolies and Restrictive Trade Practices Act are already set up in India.

(vi) Combination between Public and Private Sector:

The second Five Year Plan and pointed out that both the sectors have to function jointly. In fact a high level of public investment it infrastructures and key industries is a1 precondition for development in the private sector.

Objective of Economic Planning of India

1. Economic Development:

The main objective of Indian planning is to achieve the goal of economic development economic development is necessary for under developed countries because they can solve the problems of general poverty, unemployment and backwardness through it.

Economic development is concerned with the increase in per capita income and causes behind this increase.

In order to calculate the economic development of a country, we should take into consideration not only increase in its total production capacity and consumption but also increase in its population. Economic development refers to the raising of the people from inhuman elements like poverty unemployment and ill heath etc.

2. Increase Employment:

Another objective of the plans is better utilization of man power resource and increasing employment opportunities. Measures have been taken to provide employment to millions of people during plans. It is estimated that by the end of Tenth Plan (2007) 39 crore people will be employed.

3. Self-Sufficient:

It has been the objective of the plans that the country becomes self-sufficient regarding food grains and industrial raw material like iron and steel etc. Also, growth is to be self sustained for which rates of saving and investment are to be raised. With the completion of Third Plan, Indian economy has reached the take off stage of development. The main objective of the Tenth Plan is to get rid of dependence on foreign aid by increasing export trade and developing internal resources.

4. Economic Stability:

Stability is as important as growth. It implies absence of frequent end excessive occurrence of inflation and deflation. If the price level rises very high or falls very low, many types of structural imbalances are created in the economy.

Economic stability has been one of the objectives of every Five year plan in India. Some rise in prices is inevitable as a result of economic development, but it should not be out of proportions. However, since the beginning of second plan, the prices have been rising rather considerably.

5. Social Welfare and Services:

The objective of the five year plans has been to promote labour welfare, economic development of backward classes and social welfare of the poor people. Development of social services like education, health, technical education, scientific advancement etc. has also been the objective of the Plans.

6. Regional Development:

Different regions of India are not economically equally developed. Punjab, Haryana, Gujarat, Maharashtra, Tamil Nadu, Andhra Pradesh etc. are relatively more developed. But U.P., Bihar, Orissa, Nagaland, Meghalaya and H.P. are economically backward. Rapid economic development of backward regions is one of the priorities of five year plans to achieve regional equality.

7. Comprehensive Development:

All round development of the economy is another objective of the five year plans. Development of all economic activities viz. agriculture, industry, transport, power etc. is sought to be simultaneously achieved. First Plan laid emphasis on the development of agriculture. Second plan gave priority to the development of heavy industries. In the Eighth Plan maximum stress was on the development of human resources.

8. To Reduce Economic Inequalities:

Every Plan has aimed at reducing economic inequalities. Economic inequalities are indicative of exploitation and injustice in the country. It results in making the rich richer and the poor poorer. Several measures have been taken in the plans to achieve the objectives of economic equality specially by way of progressive taxation and reservation of jobs for the economically backward classes. The goal of socialistic pattern of society was set in the second plan mainly to achieve this objective.

9. Social Justice:

Another objective of every plan has been to promote social justice. It is possible in two ways, one is to reduce the poverty of the poorest section of the society and the other is to reduce the inequalities of wealth and income. According to Eighth Plan, a person is poor if the spends on consumption less than Rs. 328 per month in rural area and Rs. 454 per month in urban area at 1999-2000 prices. About 26 percent of Indian population lives below poverty line. The tenth plan aims to reduce this to 21%.

10. Increase in Standard of Living:

The other objective of the plan is to increase the standard of living of the people. Standard of living depends on many factors such as per capita increase in income, price stability, equal distribution of income etc. During the period of Plans, the per capita income at current prices has reached only up to Rs. 20988.

Major achievements made during 12th Five-Year Plan

High-speed railway: On Dec 26, 2014, the Lanzhou-Xinjiang high-speed railway opened to traffic. According to China Railway, by the end of 2014, along with a number of new lines in operation, China's railway mileage reached 112,000 kilometers and operating mileage of high-speed railway reached 16,000 kilometers, ranking first in the world.

Afforestation: According to data released by the State Forestry Administration, the country is expected to complete afforestation of 2.96 million hectares and forest tending of 38.8 million hectares.

Carbon emission: In 2014, China's energy consumption for unit domestic gross product and carbon dioxide emissions decreased by 29.9 percent and 33.8 percent compared with of 2005. The emission reduction targets set in the "12th Five-Year Plan" can be successfully met. China has become the world's major energy conservation country, using new energy and renewable energy.

Renewable energy: The government is continuing its commitment to the renewable energy sector by investing heavily in solar and wind projects. Solar energy is expected to play a major role in generating electricity and reducing carbon emissions.

Housing: According to data, the country had started construction of 32.3 million units of affordable houses between 2011 and 2014. In 2015, the target is set to 7.4 million units to meet the growing demand of affordable housing.

Road network: By the end of 2015, the total length of newly built roads in rural area is expected to be more than 1 million kilometers. And the total mileage reached 3.95 million kilometers.

E-commerce: Data show that in 2014 China's total e-commerce transactions amounted to 16.39 trillion yuan ($2.58 trillion), an increase of 59.4 percent over the previous year. By this rate, the e-commerce transactions in 2015 are expected to exceed 25 trillion yuan, according to National Bureau of Statistics.

Water transfer: China's South — North Water Transfer Project began spewing water on Dec 12, 2014.

NITI Aayog :

The National Institution for Transforming India, also called NITI Aayog, was formed via a resolution of the Union Cabinet on January 1, 2015. NITI Aayog is the premier policy 'Think Tank' of the Government of India, providing both directional and policy inputs. While designing strategic and long term policies and programmes for the Government of India, NITI Aayog also provides relevant technical advice to the Centre and States.

The Government of India, in keeping with its reform agenda, constituted the NITI Aayog to replace the Planning Commission instituted in 1950. This was done in order to better serve the needs and aspirations of the people of India. An important evolutionary change from the past, NITI Aayog acts as the quintessential platform of the Government of India to bring States to act together in national interest, and thereby fosters Cooperative Federalism.

At the core of NITI Aayog's creation are two hubs – **Team India Hub** and the **Knowledge and Innovation Hub**. The Team India Hub leads the engagement of states with the Central government, while the Knowledge and Innovation Hub builds NITI's think-tank capabilities. These hubs reflect the two key tasks of the Aayog.

NITI Aayog is also developing itself as a State of the Art Resource Centre, with the necessary resources, knowledge and skills, that will enable it to act with speed, promote research and innovation, provide strategic policy vision for the government, and deal with contingent issues.

UNIT- III DEMOGRAPHIC FEATURES

Main Features of India's Population

The following are features of India's population:

Large Size and Fast Growth:

Second Stage of Demographic Transition:

Rapidly Rising Density:

Sex Ratio **Composition** Unfavourable to Female:

Bottom heavy Age Structure:

Predominance of Rural Population:

Low Quality Population:

1. Large Size and Fast Growth:

The first main feature of Indian population is its large size and rapid growth. According to 2001 census, the population of India is 102.87 crore. In terms of size, it is the second largest population in the world, next only to China whose population was 127 crore in 2001. India’s population was 23.6 crore in 1901 and it increased to 102.7 crore in 2001.

In addition to its size, the rate of growth of population has been alarming since 1951. At present, India’s population is growing at a rate of 1.9 percent per annum; 21 million people are added every year which is more than the population of Australia. This situation is called population explosion and this is the result of high birth rate and declining death rate.

2. Second Stage of Demographic Transition:

According to the theory of demographic transition, the population growth of a country passes through three different stages as development proceeds. The first stage is characterised by high birth rate and high death rate. So in this stage the net growth of population is zero. Till 1921, India was in the 1st stage of demographic transition.

The second stage is featured by high birth rate and declining death rate leading to the rapid growth of population. India entered the second stage of demographic transition after 1921. In 1921-30 India entered the 2nd stage, the birth rate was 464 per thousand and death rate was 363 per thousand.

In 2000-01, birth rate was 25.8 and death rate declined to 85. This led to rapid growth of population. India is now passing through the second stage of demographic transition. While developed countries are in 3rd stage.

3. Rapidly Rising Density:

Another feature of India's population is its rapidly rising density. Density of population means to the average number of people living per square kilometer. The density of population in India was 117 per square km. in 1951 which increased to 324 in 2001. This makes India one of the most densely populated countries of the world. This adversely affects the land-man ratio.

India occupies 2.4 per-cent of the total land area of the world but supports 16.7 per-cent of the total world population. Moreover, there is no causal relationship between density of population and economic development of a country. For example, Japan & England having higher density can be rich and Afghanistan & Myanmar having lower density can be poor. However in an underdeveloped country like India with its low capital and technology, the rapidly rising density is too heavy a burden for the country to bear.

4. Sex Ratio Composition Unfavourable to Female:

Sex ratio refers to the number of females per thousand males. India's position is quite different than other countries. For example the number of female per thousand males was 1170 in Russia, 1060 in U.K., 1050 in U.S.A. whereas it is 927 in India according to 1991 census.

The sex ratio in India as 972 per thousand in 1901 which declined to 953 in 1921 and to 950 in 1931. Again, in 1951, sex ratio further declined to 946. In 1981, sex ratio reduced to 934 against 930 per thousand in 1971. During 1991, sex ratio was recorded 927 per thousand.

The sex ratio is 933 per thousand in 2001. State wise Kerala has more females than males. There are 1040 females per thousand males. The lowest female ratio was recorded in Sikkim being 832. Among the union territories Andaman and Nicobar Islands has the lowest sex ratio i.e. 760. Therefore, we can conclude that sex ratio composition is totally unfavourable to female.

5. Bottom heavy Age Structure:

The age composition of Indian population is bottom heavy. It implies that ratio of persons in age group 0-14 is relatively high. According to 2001 census, children below 14 years were 35.6%. This figure is lower than the figures of previous year. High birth rate is mainly responsible for large number of dependent children per adult. In developed countries the population of 0-14 age group is between 20 to 25%. To reduce the percentage of this age group, it is essential to slow down the birth rate.

6. Predominance of Rural Population:

Another feature of Indian population is the dominance of rural population. In 1951, rural population was 82.7% and urban population was 17.3%. In 1991 rural population was 74.3% and urban population was 257. In 2001, the rural population was 72.2% and urban population was 27.8. The ratio of rural urban population of a country is an index of the level of industrialisation of that country. So process of urbanisation slow and India continues to be land of villages.

7. Low Quality Population:

The quality of population can be judged from life expectancy, the level of literacy and level of training of people. Keeping these parameters in mind, quality of population in India is low.

(a) Low Literacy Level:

Literacy Level in India is low. Literacy level in 1991 was 52.2% while male-female literacy ratio was 64.1 and 39.3 percent. In 2001, the literacy rate improved to 65.4 percent out of which made literacy was 75.8 and female literacy was 52.1 percent. There are 35 crore people in our country who are still illiterate.

(b) Low level of Education and Training:

The level of education and training is very low in India. So quality of population is poor. The number of persons enrolled for higher education as percentage of population in age group 20-25 was a percent in 1982. It is only one fourth of the developed countries. The number of doctors and engineers per million of population are 13 and 16 respectively. It is quite less as compared to advanced countries.

(c) Low Life Expectancy:

By life expectancy we mean the average number of years a person is expected to live. Life expectancy in India was 33 years. It was increased to 59 in 1991 and in 2001, life expectancy increased to 63.9. Decline in death rate, decline in infant mortality rate and general improvement in medical facilities etc. have improved the life expectancy. However life expectancy is lower in India as compared to life expectancy of the developed nations. Life expectancy is 80 year in Japan and 78 years in Norway.

8. Low Work Participation Rate:

Low proportion of labour force in total population is a striking feature of India's population. In India, Labour force means that portion of population which belongs to the age group of 15-59. In other words, the ratio of working population to the total is referred to as work participation rate.

This rate is very low in India in comparison to the developed countries of the world. Total working population was 43% in 1961 which declined to 37.6% in 1991. This position improved slightly to 39.2% in 2001. That means total non-working population was 623 million (60.8 percent) and working population was 402 million (39.2%). Similarly low rate of female employment and bottom-heavy age structure are mainly responsible for low work participation in India.

9. Symptoms of Over-population:

The concept of over-population is essentially a quantitative concept. When the population size of the country exceeds the ideal size, we call it over-population. According to T.R. Malthus, the father of demography, when the population of a country exceeds the means of substance available, the country faces the problem of over-population.

No doubt, food production has increased substantially to 212 million tonnes but problems like poverty, hunger, malnutrition are still acute. Agriculture is overcrowded in rural areas of the country which is characterised by diminishing returns. This fact leads to the conclusion that India has symptoms of over-population. Indian low per capita income, low standard of living, wide spread unemployment and under-employment etc. indicate that our population size has crossed the optimum limit.

Population policy: It is a set of measures taken by a State to modify the way its **population** is changing, either by promoting large families or immigration to increase its size, or by encouraging limitation of births to decrease it.

Population Policy of India

A positive population policy which aims at reducing the birth rate and ultimately stabilising the growth rate of population. In India, where the majority of people are illiterate, fatalist, and custom-ridden, and do not believe in family planning, only the government's initiative can help in controlling population growth.

High growth rate of population has been one of the major problems facing India. India with only 2.4 per cent of the global surface area sustains 102.7 crore population which is 16.7 per cent of the world population, as on March 1, 2001. With the process of development since 1951, the death rate has declined below 8 per thousand whereas the birth rate continues to be around 25 per thousand.

Consequently, the population growth rate remains at a very high level of about 2 per cent. The addition of 18.1 crore persons to India's population between 1991-2001 was more than the population of Brazil, the fifth most populous country of the world.

This frightening growth rate of population has aggravated the problems of poverty, unemployment and inequalities. There has been a gross neglect of social sectors like primary education, basic health and social security. India's resources are fast depleting due to rising demand. There has been degradation of environment.

Objectives:

There are three types of objectives of National Population Policy (NPP) 2000:

1. The Immediate Objective:

The immediate objective is to address the unmet needs for contraception, health care infrastructure and health personnel and to provide integrated service delivery for basic reproductive and child health care.

2. The Medium Term Objective:

The medium term objective is to bring the Total Fertility Rate (TFR) to replacement level by 2010 through vigorous implementation in inter-sectorial operational strategies.

3. The Long Term Objective:

The long term objective is to achieve a stable population by 2045 at a level consistent with the requirements of sustainable economic growth, social development, and environment protection.

UNIT- IV: UNEMPLOYMENT IN INDIA

Meaning of Unemployment in India:

Unemployment is a common economic malady faced by each and every country of the world, irrespective of their economic system and the level of development achieved. But the nature of unemployment prevailing in underdeveloped or developing countries sharply differs to that of developed countries of the world.

While the developed countries are facing unemployment, mostly of Keynesian involuntary and frictional types but the underdeveloped or developing countries like India are facing structural unemployment arising from high rate of growth of population and slow economic growth.

Structural unemployment may be open or disguised type. But the most serious type of unemployment from which those undeveloped countries like India are suffering includes its huge underemployment or disguised unemployment in the rural sector.

Unemployment is a serious problem. It indicates a situation where the total number of job vacancies is much less than the total number of job seekers in the country. It is a kind of situation where the unemployed persons do not find any meaningful or gainful job in-spite of having willingness and capacity to work. Thus unemployment leads to a huge wastage of manpower resources.

India is one of those ill-fated underdeveloped countries which is suffering from a huge unemployment problem. But the unemployment problem in India is not the result of deficiency of effective demand in Keynesian term but a product of shortage of capital equipment's and other complementary resources accompanied by high rate of growth of population.

Unemployment problem of the country can now be broadly classified into:

(a) Rural unemployment and

(b) Urban unemployment.

(a) Rural Unemployment:

In India the incidence of unemployment is more pronounced in the rural areas.

Rural unemployment is again of two types:

(i) Seasonal unemployment and

(ii) Disguised or perennial unemployment.

(i) Seasonal Unemployment:

Agriculture, though a principal occupation in the rural areas of the country, is seasonal in nature. It cannot provide work to the rural population of the country throughout the year. In the absence of multiple cropping system and subsidiary occupation in the rural areas, a large number of rural population has to sit idle 5 to 7-months in a year.

Seasonal Unemployment is also prevalent in some agro- based industries viz., Tea Industry, Jute Mills, Sugar Mills, Oil Pressing Mills, Paddy Husking Mills etc.

(ii) Disguised or Perennial Unemployment:

Indian agriculture is also suffering from disguised or perennial unemployment due to excessive pressure of population. In disguised unemployment apparently it seems that everyone is employed but in reality sufficient full time work is not available for all.

In India, about 72 per cent of the working population is engaged in agriculture and allied activities. In 1951 more than 100 million persons were engaged in the agricultural and allied activities whereas in 1991 about 160 million persons are found engaged in the same sector resulting in as many as 60 million surplus population who are left with virtually no work in agriculture and allied activities.

(b) Urban Unemployment:

Urban unemployment has two aspects:

(i) Industrial unemployment and

(ii) Educated or middle class unemployment.

(i) Industrial Unemployment:

In the urban areas of the country, industrial unemployment is gradually becoming acute. With the increase in the size of urban population and with the exodus of population in large number from rural to the urban industrial areas to seek employment, industrialization because of slow growth could not provide sufficient employment opportunities to the growing number of urban population.

Thus the rate of growth of employment in the industrial sector could not keep pace with the growth of urban industrial workers leading to a huge industrial unemployment in the country.

(ii) Educated or middle-class Unemployment:

Another distinct type of unemployment which is mostly common in almost all the urban areas of the country is known as educated unemployment. This problem is very much acute among the middle class people. With rapid expansion of general education in the country the number of out-turn of educated people is increasing day by day.

But due to slow growth of technical and vocational educational facilities, a huge number of manpower is unnecessarily diverted towards general education leading to a peculiar educated unemployment problem in the country. The total number of educated unemployment increased from 5.9 lakh in 1962 to 230.50 lakh in 1994.

Causes of Unemployment Problem in India:

Unemployment problem in India is the cumulative result of so many factors.

The broad causes of unemployment problem are as follows:

(i) Population Explosion:

The most fundamental cause of large scale unemployment in India is the high rate of population growth since the early 1950s and the consequent increase in its labour force. It was estimated that with the 2.5 per cent annual rate of population growth, nearly 4 million persons are added to the labour force every year. To provide gainful employment to such a big number is really a difficult task.

(ii) Underdevelopment:

Indian economy continues to be underdeveloped even as a vast quantity of unutilized and under utilised natural resources are prevailing in the country. The scale and volume of economic activities are still small. The non-agricultural sector especially modern industrial sector which could generate huge number of employment, is growing very slowly.

During the pre-independence period also, Indian economy experienced a slow growth. British destroyed the indigenous small scale and cottage industries instead of expanding and modernising them. During the post- independence period also, the performance of the industrial sector has also been found far below the plan targets and needs.

Moreover, the slow rate of capital formation is also responsible for the hindrances in the path of realisation of growth potential in agriculture, industry and infrastructure sector. Thus this underdevelopment is largely responsible for slow expansion of employment opportunities.

(iii) Inadequate Employment Planning:

In the first phase economic planning in India, employment opportunities could not be increased adequately and little has been done to utilise the Nurksian variety of labour surplus existing in the rural areas. Moreover, weak manpower planning is also another serious gap in Indian planning.

Less effort has been made for balancing the manpower needs and supplies in various production sectors, indifferent regions of the country and also indifferent skills.

This has resulted to large imbalances in the sphere of educated and trained personnel like engineers, technicians, cost accountants, plain graduates and port graduates, administrators etc. Thus huge amount of resources used for developing manpower could not come into much help due to faulty manpower planning.

(iv) Slow Rate of Growth:

In India the rate of growth of the economy is very poor and even the actual growth rate lies far below the targeted rate. Thus the increased employment opportunities created under the successive plans could not keep pace with the additions to the labour force taking place in the country every year leading to a huge and larger backlog of unemployment at the end of each plan.

(v) Backwardness of the Agriculture:

Heavy pressure of population on land and the primitive methods of agricultural operations are responsible for colossal rural unemployment and underemployment in the country.

(vi) Insufficient Industrial Development:

Industrial development in the country is not at all sufficient. Rather the prospects of industrial development has never been completely realised. Due to dearth of capital, lack of proper technology, scarcity of industrial raw materials, shortage of electricity and lack of labour intensive investment industrial sector could not gain its momentum and also could not generate sufficient employment opportunities in the country.

(vii) Prevailing Education System:

The prevailing education system in India is full of defects as it fails to make any provision for imparting technical and vocational education. Huge number of matriculates, undergraduates and graduates are coming out every year leading to a increasing gap between job opportunities and job seekers among the educated middle class.

In the absence of vocational education and professional guidance, these huge number of educated youths cannot avail the scope of self-employment leading to growing frustration and discontent among the educated youths.

(viii) Slow Growth of Employment during Economic Reforms:

Finally, the current phase of economic reforms introduced in India has resulted jobless growth to some extent. Economic Reforms has resulted large scale retrenchment of surplus workers in different industries and administrative departments due to down-sizing of workers.

The annual growth rate of employment which was 2.40 per cent during the period 1983- 94, but the same rate declined to a mere 0.98 per cent during the period 1994-2000. As a result, the unemployment growth rates increased from 5.99 per cent in 1993-94 to 7.32 per cent in 1999-2000.

Remedial Measures to Solve Unemployment Problem In India:

Unemployment problem is a serious problem faced by a large populous country like India. Thus it is quite appropriate to suggest some measures to solve this problem. In order to suggest appropriate measures to solve this problem, it is better to identify some measures separately for the problem of rural unemployment and urban unemployment.

A. Remedies to Rural Unemployment Problem:

As the nature of rural unemployment is quite different, it is better to suggest some special measures to solve this problem.

Following are some of these measures:

(i) Expanding Volume of Rural Works:

One of the most important remedial measures to solve the problem of unemployment is to expand the opportunities for work especially in rural areas. In order to clear the backlog of unemployment and also to provide jobs to additional labor force joining the mainstream workers, this expansion in the volume of works needs to be done rapidly and that too in the areas of both wage employment and self-employment.

As large scale industries cannot provide adequate employment opportunities thus more importance be given to the development of agriculture and the allied sector along with development of small scale and cottage industries and also the unorganised informal sector and the services sector.

(ii) Modernisation of Agriculture:

In order to eradicate the problem of rural unemployment, the agricultural sector of the country is to be modernized in almost all the states. This would derive considerable agricultural surplus which would ultimately boost the rural economy and also expand employment opportunities in the rural areas. Attempts should also be made for wasteland development and diversification of agricultural activities.

(iii) Development of Allied Sector:

The problem of rural unemployment can be tackled adequately by developing allied sector which includes activities like dairy farming, poultry farming, bee keeping, fishery, horticulture, sericulture, agro processing etc. which are having a huge potential for the generation of employment and self-employment opportunities in the rural areas of the country.

(iv) Development of Rural Non-Farm Activities:

In order to generate employment opportunities in the rural areas, development of rural non-farm activities, viz., rural industries, the decentralised and cottage small scale sector of industry, agro-based industry, rural informal sector and the services sector, expansion of rural infrastructure, housing, health and educational services in the rural areas etc. should be undertaken throughout the country with active government support. Since Eighth Plan, the Government is following this strategy for the generation of rural employment.

(v) Appropriate mix of Production Techniques:

Although Mahalanobis strategy of development argued in favour of capital intensive techniques but in order to tackle the problem of rural unemployment the government should adopt a appropriate mix of production techniques where both the labour intensive and capital intensive methods, of production should be adopted selectively in the new fields of production so as to attain both growth in employment along with its efficiency.

(vi) Rural Development Schemes:

In order to eradicate the problem of rural unemployment, the Central as well as the State Governments should work seriously for introducing and implementing rural development schemes so that the benefit of such development could reach the target groups of people in time.

(vii) Decentralisation:

In order to reduce the extent of the problem of rural unemployment it would be quite important to spread the location of industries around the small towns on the basis of local endowment position so that migration of people from rural to urban areas can be checked.

(viii) Extension of Social Services:

It is also important to extend the social services in the rural areas in the sphere of education, medical science and in other areas which will go a long way for the empowerment of the rural people in general. Such a situation will indirectly motivate the people towards self-employment.

(ix) Population Control:

Adequate stress should be laid on the control of growth of population through family welfare programmes especially in the rural and backward areas of the country. This would be conducive for solving the growing problem of rural unemployment of the country as a whole.

(x) SHGs and Micro Finance:

Adequate steps be taken for promoting self help groups (SHGs) for generating self employment opportunities. In this respect, micro finance flow through NGOs towards SHGs can play a responsible role in solving the problem of rural unemployment.

B. Remedies to Urban Unemployment Problem:

In order to solve the problem of urban unemployment the country should follow certain important measures.

Following are some of these measures:

(i) Rapid Development of Industries:

In order to solve the problem of urban unemployment, immediate steps must be taken for enhancing the industrial efficiency. In this regard, immediate attempts must be made for expansion and modernisation of existing industries in cost-effective manner and also for setting up of new industries.

Some basic and heavy industries which were already established in the field of iron and steel, chemicals, defence goods, heavy machineries, power generation, atomic energy etc. should be modernized and more such new industries should also set up in the new and existing fields for generating huge number of employment opportunities for the present and coming generations.

More new resource based and demand based industries should be set up for generating employment opportunities.

(ii) Revamping Education System:

Indian education system still largely remains very much backward and fails to meet the demand for present industries and administrative set up. Instead of giving too much stress on general education, stress should be laid on vocationalisation of education which would help the younger generation to involve themselves in small scale and cottage industries and also in the services sector.

(iii) Motivation for Self-Employment:

In order to change the mindset of younger generation, especially from urban areas, attempts must be made by both government and non-government agencies for motivating the young people to accept the path of self-employment in the contest of squeezing scope of employment through carrier counseling at the institutional level.

(iv) Development of SSIs:

Considering the huge number of unemployed, it is quite important to develop a good number of small scale and cottage industries by adopting labour-intensive approach. Developing such S.S.Is for the production of need-based products would help a lot for generating huge employment opportunities in urban and semi-urban areas.

(v) Development of Urban Informal Sector:

As a good number urban people are engaged in urban informal sector, thus adequate steps must be taken for the improvement and modernisation of this informal sector so as to expand the sector further and also to generate more such employment opportunities for the growing number of urban unemployed person.

(vi) Revamping the Role of Employment Exchange:

In order to utilise the huge governmental set up of Employment Exchange throughout the country it is quite important to change the role of such exchanges for motivating and guiding the younger generations for self-employment in addition to its existing role for registration and placement.

(vii) Banking Support:

In order to solve the problem of urban unemployment, the scheduled commercial banks should come forward with rational proposals for the development of SSIs, various units in the services sector and also for the development of urban informal sector with a sympathetic attitude.

(viii) Works of National Interest:

In order to solve the problem of urban unemployment it is quite necessary to start the work of national interest which would generate adequate employment opportunities in the urban areas.

(ix) Changing Pattern of Investment:

Attempt should also be made to change the pattern of investment into a viable and productive one both from economic and social point of view so as to generate employment opportunities.

(x) Government Support:

In order to tackle the problem of urban unemployment, the government should come forward with viable urban employment generation schemes in the line of PMRY, NRY etc. to assist the urban unemployed for self-employment projects.

(xi) Growing Participation of FDI:

In order to tackle the problem of urban unemployment, the government should follow a suitable policy in the line of China for promoting the smooth flow of foreign direct investment (FDI) into our country for its growing participation in various important industrial and infrastructural projects.

National Rural Employment Programme:

In October, 1980, the NREP replaced the Food-for- work programme. In this programme State Governments received central assistance both in the form of food grains and cash for undertaking productive works in the rural areas.

During the Sixth Plan, total expenditure incurred by both the Central and State Government were of the order of Rs 1,837 crore and total food grains utilisation was 20.57 lakh tonnes. Total employment generation under this programme during the Sixth Plan was 1,775 million man-days.

During the Sixth Plan overall employment increased by 35.60 million standard person year (SPY) as against the target of 34.28 million SPY. During the Sixth Plan the growth rate of employment was 4.32 per cent per annum. During the Sixth Plan other programmes like IRDP and RLEGP were introduced.

Maharma Gandhi National Rural Employment Guarantee Act Scheme (MGNREGA):

The National Rural Employment Guarantee Act Scheme (NREGS) was formally launched on February 2, 2006 by Prime Minister Manmohan Singh at Bahdlapalle Gram Panchayat of Anantpur district of Andhra Pradesh marking an important milestone of the UPA Government's efforts to provide jobs to the rural poor.

The Act passed in August 2005 was launched in 200 districts and has been expanded to 330 districts in the second phase and by next four years, i.e., by 2008-09 all the districts was covered under the Act.

This is for first time a job guarantee scheme has been introduced in the country. Under this Act, one member of each of the country's 150 million rural households will have the legal guarantee to get at least 100 days of employment at minimum wages of Rs 65 for one person in each household irrespective of poverty levels they belong to.

Accordingly, rural household in selected districts will have the right to register themselves with the local Gram Panchayats as persons who seek employment under the Act. Thus this Act provides a social safety net for the vulnerable groups of people of our society and thereby makes an attempt to attain growth with equity.

The main features of this Act are:

(a) NREGA is not just a scheme but an Act providing legal guarantee to work.

(b) Any adult person in the notified are willing to do unskilled manual work, can apply for registration with Gram Panchayat. The Panchayat will then issue a job card to that person and the person will be entitled to apply for employment.

(c) The registered persons will then have the legal right to demand employment.

(d) The person will get the right to get employment within 15 days of their demand.

(e) The person will get the right to receive unemployment allowance if the employment is not given within 15 days.

(f) One third of the beneficiaries will be women.

(g) Employment will be given within 5 km. of the applicant's residence, else additional wags will be paid.

(h) Panchayati Raj Institutions ((PRIs) will have the principal role in planning, monitoring and implementation.

(i) The beneficiary will get the right for statutory wages.

(j) The beneficiary will get the right to worksite facilities like drinking water, sheds for children and first aid.

UNIT- V DEVELOPMENT STRATEGY

The development strategy adopted during the initial days of planning are

(i) To build a strong base for long-term growth

(ii) To give priority to industrialization; and

(iii) To lay emphasis on the growth of capital goods industries instead of consumer goods industries.

(iv) To assign priority to Public sector.

LPG model : The economy of India had undergone significant policy shifts in the beginning of the 1990s. This new model of economic reforms is commonly known as the LPG or Liberalization, Privatization and Globalization model.

Economic reforms were introduced by the Government of India in July 1991. The reform process has completed 17 years. It would, therefore, be both interesting and instructive to make an overall assessment of the reform process so as to ascertain whether the country is moving in the right direction, or, to terminate the reform process altogether.

The objectives of the reform process were:

(a) To promote a faster rate of growth,

(b) To enlarge employment potential leading to full employment,

(c) To reduce the incidence of poverty,

(d) To promote equity, leading to a better deal for the poor and less well-off sections of society,

(e) Reduction of regional disparities, i.e., the gap between the rich and the poor states, and

(f) Improving the BOP position.

1. GDP Growth:

The annual growth rate in the post-reform decade (1990-91 to 2000-01) was the same as that of the pre-reform decade (1980-81 to 1990-91), viz., 5.6% per annum. After the teething troubles of the first two years, viz., 1991-92 and 1992-93, the growth rate during 1993-94 and 1997-98 has averaged to more than 7% per annum.

After 1991-92, the growth momentum has been sustained. Reforms have, no doubt, improved the growth potential of the economy. This is clear from the fact that the growth rate of GDP during the 5-year period (2000-01 to 2005-06) was 7% p.a. It increased to about 8.9% in the next year. (2006-2007)

2. Poverty Alleviation:

The overall poverty ratio declined from 36% in 1993-94 to 27.5% in 2004-05—a decline of 8.5% during the 11-year period. Annual average reduction of poverty during this period was 0.74%. However, the rate of poverty reduction during 1973-74 and 1987-88 was from 54.9% to 38.9%—a reduction of 14 percentage points during the 14-year period.

So, poverty reduction was at the rate of 1 % p.a., which was higher than that during the post-reform period, even though GDP growth rate during the post-reform period was much higher than that in the pre-reform period.

The number of persons below the poverty line was 300 million in 2004-05 compared to 320 million in 1993-94. This means that the absolute number of poor declined very slowly during the post-reform period. So, the trickledown effect of the growth process did not benefit the poor.

3. Employment Generation:

One of the causes of poverty is growing unemployment or underemployment. Total employment increased from 302 lakhs in 1983-84 to 3,568 lakhs in 1990-91 and then to 3,829 lakhs in 1997- 98. The rate of growth of employment was of the order of 2.39% p.a. during 1983-84 and 1990- 91, which was just equal to the rate of growth of labour force during this period.

But over the period 1990-91 and 1997-98 the overall growth rate of employment was only 1%. Since the reform process is limited to the organised sector, more so to the large corporate sector, the growth rate of employment in the organised sector decelerated to 0.60% during 1990-91 to 1997-98 as against 1.73% p.a. witnessed in the 7-year pre-reform period of 1983-84—1990- 91.

There was also a substantial slowdown in the employment growth rate of the unorganised sector to merely 1.1% during 1990-91 and 1997-98 as against employment growth rate of 2.41% witnessed during the 7-year pre-reform period.

4. Economic Reforms and its Impact on Labour:

(a) Person Days Lost:

The number of person days lost due to strikes and lockouts declined during the period 1991- 2000 compared to that in the period.

1981-1990. This can be treated as an index improvement of industrial relations in the post- reform period.

(b) Downsizing:

Although the government has not formally accepted an exit policy, by the scheme of voluntary retirement, the load of workers is being reduced, both in the public and private sectors. So workers are being pushed from the organised to the unorganised sector and from secure to insecure employment.

5. Increase in Productivity and Movements, Real Wage:

Although labour productivity had increased by 3.32% during 1987-88 and 1993-94, the real earning of workers increased at the annual average rate of 1%. In other words, the gains of increased labour productivity were not shared by the workers.

The basic problem with economic reforms is not to treat labour as an asset but as a mere instrument which can be disposed with when it is no longer useful. Thus economic reforms so far had an adverse effect on labour welfare, more so in view of the fact that there is no comprehensive social security system in India.

6. Neglect of Agriculture—The Main Drawback of Economic Reforms:

A major criticism of the process of economic reforms is the neglect of agriculture—the mainstay of livelihood of two-thirds of the population. Due to inadequate attention given to agriculture food grains production did not increase much. Even during 2004-05 and 2006-07, food grains production stagnated at around 2008-09 million tones. As a result foods prices rose sharply. This created inflation and, thus, was one of the causes of poverty.

The reform process has emphasised the growth of manufacturing and service sectors and thus neglected agriculture. As a result, agricultural growth has stagnated around 2% during the last decade. It was 2.1% during the Ninth Plan (1997-2002) and was estimated to be 2.3% during the Tenth Plan (2002-2007).

The structural weakness of the agricultural sector reflected in low level of investment, exhaustion of the yield potential of new high yield varieties of wheat and rice, an inadequate incentive system and post-harvest value addition all conjointly accounted for slow agriculture growth, or virtual stagnation since 2000-2001. Moreover, public sector investment in irrigation, flood control, water harvesting, rural infrastructure, reclamation of degraded lands, etc., also had a spread effect.

The neglect of agriculture casts a shadow on sustainability of agricultural growth unless there is a reorientation of priorities with much greater emphasis on agriculture and rural industrialisation. It is time the state, instead of withdrawing from investment in agriculture, irrigation and rural infrastructure, strengthened public sector investment in these areas.

7. Economic Reforms and Industrial Growth:

Economic reforms were mainly intended to remove the bottlenecks which acted as obstacles to industrial growth. The reform process dismantled the system of industrial licensing which was considered to be a main roadblock to the progress of India's industrial economy, measured in terms of industrial growth and diversification.

In spite of this, India's industrial sector took a back seat. Whereas, in the pre-reform period (1981-82 to 1990-91), the general index of industrial production recorded an annual average growth rate of 7.8%, the growth rate of industrial production slowed down to 6.7% during 1993-94 and 2004-05, which is generally identified as a period of wide-ranging reforms in the industrial sector.

The growth was much below the target. It failed even to equal the performance observed in the 1980s, not to speak of improving the performance, as a consequence of the reform process. The failure of the basic goods and capital goods sectors really put a question mark on the success of the reform process.

8. Performance of the Public Sector Enterprises:

The Central Public Sector Enterprises have shown an improved performance during the 10-year period of reform (1993-94 to 2003-04). In spite of this, the Government has undertaken disinvestments of these enterprises instead of improving their performance still farther through the reform process.

9. Economic Reforms and the Movements of WPI and CPI:

In the post-reform period (1993-94 to 2005-06) the movement of the CPI (IW) was slightly higher than the movement of WPI (IW). This indicates that retail inflation in the post-reform period was slightly higher than wholesale inflation. The weighted price index (base 1993-94 = 100) showed an annual average increase of 6.3% during 1993-94 and 2005-06.

10. Trends of Growth in Infrastructure:

In case of saleable steel and cement, the growth rates were higher in the post-reform period than in the pre-reform period for acceleration in the production of cement was largely the result of introduction of dual pricing in case of cement introduced in 1982 with progressive reduction in the percentage of controlled cement, to eventually freeing cement prices from state control. This led to massive increase in the production capacity and output of sugar.

Similarly, the gradual easing of steel price control introduced since 1983 led to rise in output. All these measures, taken in the pre-reform period, helped to create an environment to these industries to raise their production capacity and output without any bottlenecks.

However, other infrastructure industries—electricity, coal and petroleum—did not fare well during the reform period. Excessive dependence on the private sector did not yield the desired result.

11. India's Foreign Trade and BOP:

During 1981-82 and 1987-88 India followed a restrictive import policy. During 1988-89 and 1990-91 the Government adopted a policy of export promotion. So, there was a shift of emphasis in trade policy in the second half of the 1980s. A very distressing aspect of this period is the steady decline in exports of net invisibles and the consequent fall in export earnings from invisibles.

Economic reforms went in for a rapid globalisation of the Indian economy by reducing and/ or abolishing quantitative restrictions and also reducing tariff barriers which hindered trade. The reform measures were mainly directed toward boosting exports as well as to facilitate developments imports (mainly capital and intermediate goods) as also imports of some basic raw materials which were so vital for increasing industrial production.

The post-reform period can be divided into three parts:

i. Period 1: 1991-92 to 1995-96:

During this period the annual average growth rate of exports was 11.8%, while imports increased at the rate of 9.3% p.a. As a result the current account deficit was restricted to $3,025 million.

ii. Period 2: 1996-97 to 2000-01:

During this period exports increased at an average rate of 6.8% per annum, while imports increased at the rate of 6.3%. This implies that export promotion could not become effective. Consequently, trade deficit as on average reached a record level of $15,156 million.

But a very encouraging effect of this period is the sharp increase in surplus from net invisibles to an average level of $10,667 million which neutralized the trade deficit to a large extent. Consequently, the current account deficit was restricted to $4,489 million.

iii. Period 3: 2001-02 to 2005-06:

During this period a big boost was given to export promotion and exports grew at an average annual rate of 18.4% p.a. As against this, the rate of growth of imports was of the order of 21.4% p.a. The most notable achievement of this period was the big surge in net invisibles which more than offset the trade deficit. The current account turned positive in 2001-02. The surplus, which was $3,400 million in 2001-02, increased to $14,083 million in 2003-04.

An Overall Evaluation of India's External Account:

On balance it seems that India's foreign trade position was quite satisfactory during the reform period. Exports have grown faster than imports in percentage terms. No doubt trade deficit has increased, but the massive increase in net invisibles has helped to reduce current account deficit. The emergence of a favourable current account balance during 2001-02 and 2003-04 is, no doubt, a major achievement of the post-reform period.

The situation has taken a turn in 2005-06, since imports increased faster than exports. Consequently, the trade deficit touched a record level of $51,554 million. No doubt net invisibles were positive to the extent of $40,492 million.

Yet they were not adequate as to wipe out the trade deficit. The net result was the emergence of a negative balance on current account to the tune of $10,612 million. The situation did not change much in 2006-07 and the trade deficit was likely to be $60,600 million.

Lessons to Learn:

No doubt, the Government took credit for a rise of exports, but was oblivious of the sharper rise in imports.

Three lessons can be learnt from the BOP situation:

i. Re-Thinking on Full Convertibility of the Rupee:

Policy-makers are giving a second thought to the full convertibility of the rupee after the East Asian crisis.

ii. Improving the Balance on Current Account:

There was a surplus in the current account during 2001-02 and 2003-04. This is, no doubt, an encouraging trend. However, there is need to strengthen this healthy development. The emergence of a negative current account balance in 2004-05 and 2005-06 has again resulted in an adverse situation and India needs caution in this regard.

iii. Reviewing Import Policy:

Finally, with an increase in oil prices and also with the revival of industry, imports are likely to increase. So India has to be vigilant in pursuing a very liberal import policy.

12. Reduction of Regional Disparities:

One of the declared objectives of India's planning as also of industrial policy is to reduce regional disparities. However, the reform process initiated in 1991 has been emphasizing the use of the market forces, which naturally attract investment to regions which are more developed in terms of infrastructure—both economic and financial. However, it did not pay any attention to the question of regional imbalance.

The reform process helped the forward states much more than their backward counterparts and was responsible for widening regional disparities. More than two-thirds of investment proposals were concentrated in the forward states. A similar situation prevailed in terms of financial assistance disbursed by all-India financial institutions as well as SFCs.

In short, the reform process has favoured the forward states in terms of approval of investment proposals as well as financial assistance. Consequently, the already better-off states are in a position to accelerate their growth process further. In sharp contrast to this, backward states, being unfavourably treated, face a retardation of growth. This explains the growing disparities in terms of NSDP—both total and per capita.

The ongoing reforms with stress on stabilisation and deregulation policies as their prime instrument and a very significant role for the private sector seem to have aggravated the interstate disparities.

Globalisation and Indian Agriculture:

Globalisation refers to the trend for people, firms & governments around the world to become increasingly dependent on and integrated with one another.

This can be a source of tremendous opportunity, as new markets, workers, business partners, goods & services and jobs become available; but also of competitive threat, which may undermine economic activities that were available before globalisation.

The term globalisation was coined during the 1980s to characterize huge changes that were taking place in the international economy, notably the growth in international trade and inflows of capital around the world. Usually, the term is synonymous with international integration, the spread of free markets and policies of liberalisation and free trade.

Firms enjoying some natural protection and farmers (receiving subsidies) have been some of the main opponents of globalisation, along with advocates of free trade. Moreover all governments have not embraced globalisation warmly. It is against this backdrop that we study the effect of globalisation in Indian agriculture.

Effect of Globalisation: A Summary View:

In short, globalisation and economic reforms have had negative effects on Indian agriculture. The post-reform period of 1990s has witnessed a distinctive trend on the farm front. This gets reflected in the deceleration in agricultural growth as well as in rural employment growth with slow reduction in poverty in India. This can be explained in terms of unfavorable initial conditions, viz., failure to implement land reforms effectively, low rate of saving and infrastructure deficiency (both physical & social).

As Hanumantha Rao has commented, "The opening up of the economy & the significant reduction in protection to domestic industry did result in an improvement in the terms of trade for agriculture which led to a significant rise in private investment. But because of continued decline in real public investment in irrigation research and extension and other rural infrastructure owing to reform induced erosion of tax revenues and compression in public expenditures, agriculture could not derive full benefit from macroeconomic reforms and globalisation especially because, there was hardly and slack in the pre-reforms period".

Four main drawbacks of the reform process are:

1. It increased disparities among states.
2. It displaced people having little, if any marketable skills.
3. It increased the incidence of poverty and inequality.
4. It failed to ensure human development whose key indicators are life expectancy, literacy rate, infant mortality rate, death rate and birth rate.

The true challenge before us is to combine the economies of growth with the economies of equity and social justice. The age-old problem of planning has been the conflict between growth and distributive justice.

INTRODUCTION According to the chamber Dictionary, means "to make global, that is worldwide, or effecting or taking into consideration the whole world or all people". Globalization in it totality implies the following:- . There is a spread of international trade. . People migrate from a country of region to another, temporarily or permanently. . Capital flows from one country to help produce goods and services. . Growth in trade and production of services of all kinds --- shipping, insurance banking, healthcare and of course, finance etc. Technology is trade as between different Countries. In brief, globalization implies, being able to manufacture in the most cost effective way possible anywhere in the world: being able to produce raw materials and drawing management resources from the cheapest source anywhere in the world: having the entire world as a market. Effect of Globalization on Indian Economy:- Globalization has both positive and negative effects on Indian economy. These are as follow. Positive effects of globalization on Indian economy: - These are as highlight the positive effect of globalization policy on Indian economy:

Increase in Foreign Trade: - As a result of foreign trade policies adopted in the wake of globalization, India's share in the world trade has gone up.

Increase in Foreign investment: - As a consequence of globalization in forging investment policy 1991, our govt. started encouraging the entry of foreign investment; there has been a considerable increase in foreign direct investment as well as foreign portfolio investment.

Increase in Foreign Exchange Reserves: _ as a result of globalization of Indian. In the year 1991, foreign exchange reserves of India amounted to Rs 4,388 crore which in April, 2012 increased to Rs. 15,24,328 crore (US $ 293.14 billion). Thus, there has been an increase of 347 times in foreign exchange reserves of India.

Increase in Foreign Collaborations: - Globalization has promoted collaboration of foreign companies with many Indian companies. These collaboration agreements can be technical. Financial or both.

Expansion of Market: - globalization has expanded the size of market, it has permitted Indian business unit to expand their business in the whole world. Now multinational corporations, have no national boundaries. Indian companies like Infosys, Tata consultancy, Wipro, Tata Steel, reliance etc, are doing their business in many countries of the world.

Technological Development: - globalization has promoted the technical collaboration of foreign companies. This collaboration enabled the inflow of modern advanced and superior foreign technology in India. Now Indian business units use this modern technology. It has resulted technological development of Indian business units.

Brand Development: - Globalization has promoted the use of branded goods. Now not only durable goods are branded but products like garments, Juices, Snacks, food grains etc. are also branded. Brand development has led to quality improvement.

Development of Capital Market: - Globalization has helped in Indian capital market development now many foreign investors invest in Indian capital market recently there has been substantial increase in inflow of foreign direct investment and portfolio investment.

Increase in Employment: - As a result of Globalization foreign companies are establishing their production and trading units in India. It has increased employment opportunities for Indian. E.g. many Indian's are employed in foreign insurance companies, mobile companies etc.

Reduction in brain Drain: - as a result of globalization, many multinational corporations have set up their business units in India. These MNCs provide attractive salary package and good working conditions to efficient, Skilled Indian get good employment opportunities in India. It has resulted in reduction in brain- drain.

Negative Effect of Globalization: - following observation highlight the negative effect of globalization policy on the Indian economy.

Loss of Domestic industries: - as a result of Globalization foreign competition has increased in India. Because of better quality and low cost of foreign goods, many Indian industrial units have failed to face competition and have been closed.

Problem of Unemployment: - as a result of globalization foreign companies or even some Indian companies use capital intensive technology. With the increasing use of capital intensive technology the employment opportunities are reduced and increase the problem of unemployment in Indian economy.

Exploitation of Labour: - Globalization is exploiting unskilled workers by giving lower wages, less job security long working hours and worse working condition.

Increase in Inequalities: - globalization has benefited MNCs and big industrial units but small and cottage industries are adversely hit by it. It has increased inequalities in India.

Bad Effect on Culture and Value System: - Many global companies sell such products as distort our culture and value system. The vulgar advertisements shown by some MNCs pollute the thinking of young generation in India.

CONCLUSION : Globalization is not a free lunch as an outward looking. It is a mixed bag of success and failures. Having gone through positive and negative effect of globalization of we can say that it is not equally beneficial for all countries of the world. So we need a policy of globalization which is beneficial, creates opportunities with the objective of growth, employment and equity and raise the welfare of all people throughout the world. Government should adopt measures to ensure fair globalization policy.