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The Effect of New Economic Policy on the growing of production and employment opportunity

D. Bhavani
Dept. of Economics, AMS Arts and Science College for Women, O.U Campus Hydrabad

Introduction:

Basically globalization signifies a process of Internationalization plus liberalization. According to Stiglitz, "Globalization is the closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of costs of transportation and communications, and the breaking down of artificial barriers to the flow of goods and services, capital, knowledge, and (to a lesser extent) people across borders.

The sectoral composition of the Indian economy has undergone a structural shift over the years. The shift is perhaps best exemplified in terms of the changes in the shares of agricultural, industrial and services sector in the gross domestic product (GDP). From a primarily agro-based economy during the 1970s, the Indian economy has emerged as pre-dominant in the services sector during the 1990s. The shift in the composition is likely to cause substantial changes in the production and demand linkages among various sectors and in turn, could have significant ramifications for the growth and development process in the Indian economy. Experiences of the developed economies in the regard show that the growth process, in general, is highly unbalanced among sectors. Therefore, by concentrating investment on appropriate sectors, the process of economic development can be accelerate. The 'key' sectors would stimulate greater economic activity in other sectors and thus have a larger multiplier effect on growth and development.

Sectoral Linkage of the Indian Economy:-

Prior to analyzing the sectoral linkages in the Indian economy, it would be useful to review the changes in the sectoral composition of the gross domestic product, in terms of share of agriculture, industry and services sector. Sectoral shares, at 1993-94 prices, are given in Table 1.

Table 1: Sectoral Composition of GDP at 1993-94 Prices

Sector	Share in GDP (Per Cent)			
	1970-71	1980-81	1990-91	2000-01
Agriculture	46.34	39.71	32.20	24.00
Industry	15.58	17.62	21.70	21.80
Services	38.07	42.66	46.09	54.20

From Table 1, it can be seen that over the three decades (from 1970-71 to 2000-01), there is a major shift away from the agriculture towards services sector and industrial sector. Agricultural sector, which accounted for about 46 per cent of the total GDPR in 1970-71, contributed only 24 per cent by 2000-01. On the other side, during the same period the share of services sector was consistently increasing and reached 54 per cent in 2000-01 from 38 per cent in 1970-71. Over this period, share of industry increased to 22 per cent in 2000-01 from 16 per cent in 1970-71. It may be interesting to note that these shifts have been gradual, at least till 1990-91. During the 1990s, however, there was a sharp rise by about 8 percentage points in the share of services sector and almost a similar fall in the agricultural sector, with very little change in the share of the industrial sector.Table 2 provides average per annum growth rate in respect of different sectors of the economy.

The sectoral growth pattern reflects that the performance of all the sectors was reasonably good during the 1980s, contributing to a GDPR growth of 5.6 per cent. In the 1990s, though GDPR growth was higher than the 1980s, it was driven mostly by the services sector. Industrial growth rate has been relatively high at 3.42 per cent. Similarly, low growth rate in the industrial sector in the 1970s was also accompanied with low growth in agricultural sector, pointing to a close linkage between the sectors. Growth rate in services sector was only 4.25 per cent during 1970s, which increased substantially to 6.43 per cent during the 1980s and accelerated towards 7.5 per cent in the 1990s.

Table 2: Sectoral Growth Rates of GDP at 1993-94 Prices

Sector	1980-81 over 1970-71	1990-91 over 1980-81	2000-01 over 1990-91
Agriculture	1.49	3.42	2.68
Industry	4.35	7.84	5.82
Services	4.25	6.43	7.46
Overall GDP	3.07	5.61	5.75

Trade :-

One of the principal aims of globalization is to expand trade in goods and services. The World Commission in this context states. "This trade expansion did not occur uniformally across all countries, with the industrialized countries and a group of 12 developing countries accounting for the lion's share. In contrast, the majority of the developing countries did not experience significant trade expansion. Indeed, most of the Least-Developed Countries (LDCs), a group that includes most of the countries in sub-Saharan Africa, experienced a proportional decline in their share of world markets – despite the fact that these countries had implemented trade liberalization measures." (WCSDG, 2004, p 25)

During the 11- year period (1995-2006), India's merchandise exports increased at the rate of 13.3 per cent per annum (from $ 30.63 billion to $120.25 billion), while that of China increased at the faster rate of 18.6 per cent and that of Mexico at the rate of 11.0 per cent. However, compared to the world average annual exports of 8.0 per cent during the period, India did benefit from globalization in increasing its export growth rate. But India's share in world merchandise exports improved only marginally from 0.59 per cent in 1995 to 0.99 per cent in 2006.

India's performance in service sector exports was relatively much better. Service exports increased from $63.0 billion in 2006, indicating an annual average growth rate of 18.2 per cent during the period. Much of this increase was due to software exports as a consequence of outsourcing by developed countries, especially USA and to some extent the European Union countries. This singular achievement is very creditable. Compared to the world average growth of commercial services of the order of 7.0 per cent, India did benefit substantially in the service sector exports.

If we pool together merchandize and service sector exports, it becomes evident that India's exports of goods and services increased from $40.69 billion in 1995 to $183.3 billion in 2006, indicating an annual average growth rate of 14.0 per cent. As a consequence, India's share in world exports of goods and services improved from 0.63 per cent in 1995 to 1.25 per cent in 2006. As against this, China's share improved from 2.7 per cent in 1995 to 7.3 per cent in 2006, and that of Mexico from 1.4 per cent to 1.86 per cent. The annual average export of goods and services from India increased 14.6 per cent during this period, but the performance of China by 18.0 per cent was better than that of India. There is no doubt that India has gained as a consequence of globalization in improving its share of world exports of goods and services to 1.25 per cent, but considering the size of its economy, the gain is much smaller when compared with South Korea, Mexico and China.

Table 3: Exports of Merchandise and Services of Selected Countries of the World

MERCHANDISE EXPORTS	Exports US$ million		% of World Exports		Average Annual Growth Rate (1995-2006)
	1995	**2006**	**1995**	**2006**	
India	30,630	1,20,254	0.59	0.99	13.3
China	148,780	9,68,936	2.88	8.01	18.6
Brazil	46,506	1,37,470	0.90	1.14	10.4
Mexico	79,542	2,50,441	1.54	2.07	11.0
South Korea	125,058	3,25,465	2.42	2.69	9.1
World	**5,172,060**	**12,084,582**	**100.0**	**100.0**	**8.0**

EXPORT OF SERVICES

India	10,062	63,053	0.82	2.44	18.2
China	24,635	1,00,327	2.02	3.89	13.6
Brazil	13,161	27,149	1.08	1.05	6.8
Mexico	9,021	22,329	0.74	0.86	8.6
South Korea	25,394	69,787	2.08	2.70	9.6
World	**1,220,158**	**2,580,923**	**100.0**	**100.0**	**7.0**

EXPORTS OF MERCHANDISE AND SERVICES

India	40,692	1,83,307	0.63	1.25	14.6
China	1,73,415	1,069,263	2.71	7.29	18.0
Brazil	59,667	164,619	0.93	1.12	9.7
Mexico	88,563	272,770	1.38	1.86	10.8
South Korea	1,50,452	395,252	2.35	2.69	9.2
World	**6,392,218**	**14,665,505**	**100.0**	**100.0**	**7.8**

Source: Complied and computed from the data provided in World Bank, *World Development Indicators* (2008)

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Employment situation in India during the era of Globalization

The employment situation in India has worsened in the era of globalization. The rate of growth of employment which was of the order of 2.04 per cent per year during 1983-94 declined to a low level of 0.98 per cent during the year 1994-2000. This was largely a consequence of a negative growth rate of employment in agriculture which absorbed about 65 percent of total employed workers as also a sharp decline in community, social and personal services to 0.55 per cent during 1994-2000 as against 2.90 per cent during 1983-94. This was largely the consequence of neglect of agriculture and shedding the load of excess employment in the public sector by imposing a continuous ban on recruitment and not filling up even the positions vacated by retirement of public sector employers.

Table 4: Growth of Employment by Sectors in India.

Sector	1983-94	1994-2000
Agriculture	1.51	-0.34
Mining & quarrying	4.16	-2.85
Manufacturing	2.14	2.05
Electricity, gas & water supply	4.50	-0.88
Construction	5.32	7.09
Trade	3.57	5.04
Transport, storage and communication	3.24	6.04
Financial services	7.18	6.20
Community & personnal services	2.90	0.55
Total	**2.04**	**0.98**

Source: Government of India, Planning Commission (2001), *Report of the Taskforce on Employment Opportunities, Table 3.2.*

The organized sector which was considered as the engine for growth failed to generate enough employment. During 1994-2000, employment growth in the organized sector was merely 0.53 percent. The growth of employment in the public sector was negative (-0.03 percent) and that of the private sector was of the order of 1.87 percent. But since that share of the public sector in organized sector employment was of the order of 69 per cent, enlargement of private sector employment failed to effectively offset the deceleration in the public sector. Consequently, the share of the organized sector which was 7.93 percent in 1983 declined to 7.08 percent in 1999-00.

Conclusion:-

In nutshell, globalization is considered as the engine of growth, technical advancement, raising productivity, enlarging employment and bringing about poverty reduction along with modernization.

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