



A STUDY OF SOCIO-ECONOMIC DEPRESSING SHOCKS IN INDIA

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Abstract

Indian economy is the second largest emerging economy after China in Asian Pacific Region. After independence Indian economy has successfully completed eleven five year plans and twelve five year plan is being progress. We have enjoying several fruits of development because of acceptance and implementation of planning. However Indian economy has been facing several problems and challenges in modern competitive era. There are various issues and problems which becomes an obstacle in the attainment of inclusive and sustainable economic growth. In order to achieve stable, sustainable and more inclusive growth, every government policy should be designed and implemented in such a way, so as to decline the strength of these problems. Under this backdrop need felt to study the performance of Indian economy in context of other major relative countries and its own position over a period of last ten years i.e. from 2001 to 2011. It is also necessary to study trends and position of these common problems in Indian context. Therefore in present research paper attempts are being made to study the various trend and position of major indicators and aspects of the Indian economy. These different indicators are namely inflation, unemployment, poverty, foreign trade, fiscal deficit, public debt, GDP, trend and composition of government subsidies etc. The paper is purely analytical type, since it is based on secondary data. The required secondary data has been collected from various reports of government of India and it has analyzed and interpreted by using appropriate statistical tools and computer software like Excel. After careful observation of trend and position of these indicators study arrived at a conclusion that the overall picture of the economy is not satisfactory.

Key words- Inflation, Unemployment, Poverty, Foreign trade, Inclusive growth

I. Introduction

Every developing country always tries to achieve more rapid and sustainable development of the economy. For achievement of these national goals different policies, schemes were designed and implemented by the each different nation within their resource constraint. The objectives of policy and schemes may be differs from country to country but the ordinary goal is to improve the standard of living of their citizens. In twenty first century all the developing nations are facing several common problems like high population growth, unemployment, high poverty, deficit in balance of payment, high public debt, hyper inflation, low economic growth and last but not least rapid degradation of the environment. The phenomenon of India is also not different from these nations, since it has among the developing nation. Indian economy has also facing several challenges and problems while attaining their vision of more sustainable, equitable and inclusive growth, in modern neo-

liberalized era. Eleventh five year plan had highly lay emphasized on more inclusive and equitable growth. However till that vision not came into reality. Indian economy is the second largest emerging economy after China. After independence Indian economy has successfully completed eleventh five year plans and twelve five year plan is being progress. We have enjoying several fruits of development because of acceptance and implementation of planning. There are various issues and problems which becomes an obstacle in economic growth in modern competitive era. In order to achieve stable, sustainable and more inclusive growth, every government policy should be designed and implemented in such a way, so as to decline the strength of these problems. Under this backdrop need felt to study the performance of Indian economy in context of other major relative countries and it own position over a period of last ten years i.e. from 2001 to 2011. It is also necessary to study trends and position of theses common problems in Indian context. Therefore in present research paper attempts are being made to study the various trend and position of major indicators and aspects of the Indian economy. These different indicators are namely inflation, unemployment, poverty, foreign trade, fiscal deficit, public debt, GDP, trend and composition of government subsidies etc. The paper is purely analytical type since it is based on secondary data. The required secondary data has been collected from various reports of government of India and it has analyzed and interpreted by using appropriate statistical tools and computer software like Excel. After careful observation of trend and position of these indicators study arrived at a conclusion that the overall picture of the economy is not satisfactory.

II. Objectives of the Study:

The major Objectives of the present research are as below

1. To study comparative position of India in context inflation across the countries,
2. To analyze the nature and composition of problem of unemployment in India,
3. To study the trend and composition of poverty in India,
4. To observe comparative export and import position of India across the countries,
6. To observe the trend of economics growth of India,
7. To Suggest appropriate policy implication.

III. Research Methodology

The present research is purely analytical type of research which exclusively relies on secondary data. The necessary data has been collected from various reports and articles of the government of India. The collected data has been processed and tabulated by using Excel Software. The required statistical tools such as simple growth rate, compound growth rate, variance and ratio analysis etc are applied for data analysis and interpretation. The present paper has considered ten years period from 2001-02 to 2010-11 and attempts were made to review the trend and future prospect of the Indian economy.

IV. Inflation in India

According to Keynes inflation is a distinctive feature of developing nations. These developing countries are basically operating at underemployment level and always try to achieve full employment in the economy. In these efforts investment is continuously taking place and consequently production, employment income and price level are trends to increase. But so far as Indian economy is concern it is not because of underemployment but

the inflation has occurring because of the external forces i.e. prices of fuels in the international market. Since Indian economy is external input oriented economy, the general price level highly affecting by these forces .In below table 1 major countries trend in regards inflation has been shown.

Table1: Major G20 Countries: Inflation Average Consumer Prices in% (2011).

Country	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Mean
Argentina	-1.07	25.87	13.44	04.42	09.64	08.83	08.83	08.69	06.27	10.65	09.55
Australia	04.38	03.00	02.77	02.34	02.67	02.33	00.33	04.35	01.82	02.96	02.69
Brazil	06.84	08.43	14.78	06.60	06.88	03.64	03.64	05.67	04.90	04.99	06.63
Canada	02.51	02.28	02.74	01.84	02.33	02.13	02.13	02.38	00.29	01.77	02.04
China	00.73	-0.77	01.17	03.90	01.82	04.77	04.77	05.9	-0.69	03.52	02.51
France	01.78	01.94	02.17	02.34	01.9	01.61	01.61	03.16	00.10	01.64	01.82
Germany	01.90	01.36	01.03	01.79	01.92	02.28	02.28	02.75	00.23	01.32	01.68
India	03.78	04.30	03.81	03.77	04.25	06.37	06.37	08.35	10.88	13.19	06.50
Indonesia	11.50	11.80	06.71	06.06	10.46	06.03	06.03	09.78	04.81	05.07	07.82
Italy	02.32	02.61	02.81	02.27	02.21	02.04	02.04	03.50	00.76	01.63	02.21
Japan	-0.69	-0.89	-0.30	0	-0.30	0	0	01.4	-1.38	-0.99	-00.31
Korea	04.07	02.76	03.52	03.59	02.75	00.54	02.54	04.67	02.76	03.10	03.03
Mexico	06.37	05.03	04.55	04.69	03.99	03.97	03.97	05.13	05.30	04.24	04.72
Russia	21.46	15.78	13.67	10.89	12.68	09.01	09.01	14.11	11.65	06.56	12.48
Saudi Arabia	-1.14	00.23	00.59	00.36	00.63	04.11	04.11	09.87	05.06	05.50	02.93
South Africa	05.70	09.18	05.81	01.39	03.39	07.09	07.09	11.50	07.11	05.56	06.38
Turkey	54.25	45.13	25.34	08.60	08.18	08.76	08.76	10.44	06.25	08.68	18.43
UK	01.18	01.27	01.36	01.34	02.04	02.35	02.35	03.63	02.12	03.08	02.07
USA	02.82	01.6	02.30	02.67	03.37	02.87	02.87	03.82	00.32	01.42	02.40

Source: Planning Commission 2011

Table 1 shows inflation average consumer prices in percentage. Above table evidently proved that the countries like Turkey, Russia are successfully controlled their inflation rate during study period. Inflation rates in the developed countries like UK and USA are comparative lower than developing nations. Highest average inflation rate during study period has recorded in Turkey followed by Russia, Argentina, Indonesia, Brazil, and India. The lowest average inflation rate during considered period has been recorded in Japan followed by Germany, France, Canada, UK, Italy and USA. It means that inflation has been successfully controlled by these low ranked states and on the contrary highest ranked countries are failed to control inflation. Thus, inflation in India is one of the burning issues in front of Indian policy makers since last five to six years and anti-inflationary policy has totally failed to control the phenomena. Thus under this circumstances government has to take some steps toward the controlling inflation rate in such way so as to control of inflation is possible without hampering economic growth.

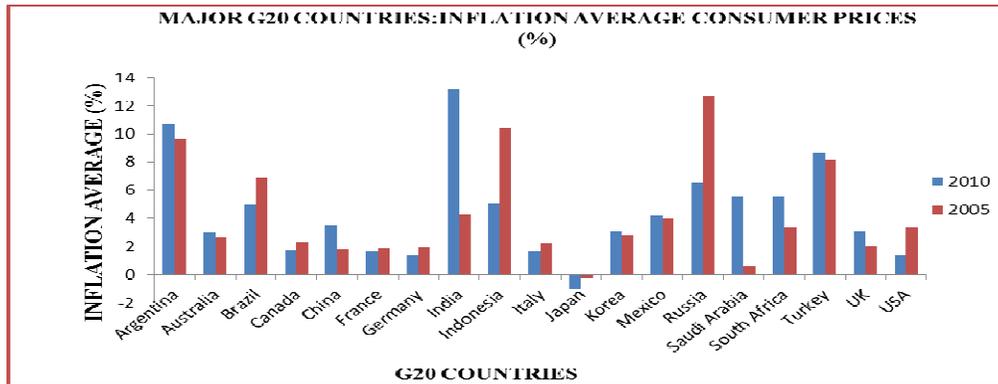


Figure 1

V. Unemployment in India

Since the adoption of planning, to create maximum employment opportunities in the country is one of the major visions of Indian planners and policy maker. After independence rapid and continuous industrialization has been taken place and consequently rate of unemployment also declines. However the problem of unemployment is still dominant in the economy. Table 2 shows percentage of unemployment population in the total working population during the different NSSO round. In the year 1972 -73 there was 8.35 % working force population unemployed that was further increased in 1983 and becomes 9.22%. In recent round 2004-05 there was 8.28% of the labours become unemployed.

Table 2: Unemployment Rates in Various NSS Round (CDS) Basis

Years	Unemployment Rate as percentage to Labour Force
1972-73	8.35
1977-78	8.18
1983-84	9.22
1993-94	6.06
1999-00	7.31
2004-05	8.28

Source: DGE&T, Ministry of Labour & Employment.

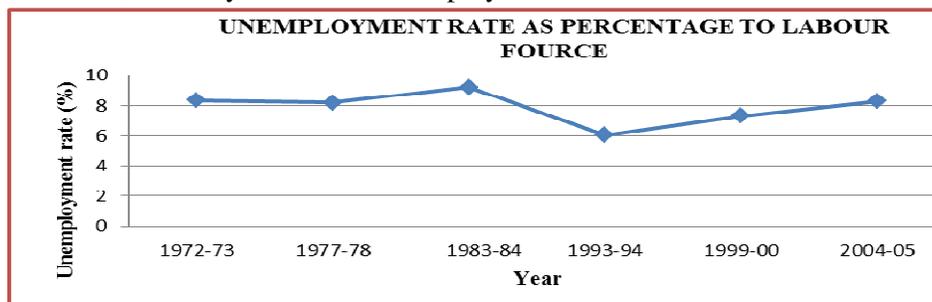


Figure2

Employment on CDS basis in various NSS Rounds (Million)

Table.3 reveals that rural area is the major contributor in the employment generation. The total employment was 204.75 million in 1972-73 and that becomes nearly twice (384.91 million) in 2004-05. So far as growth rate of employment is concern it has increasing significantly. However this employment growth rate is not sufficient in order to absorb increasing population. Infrastructure development is the pre-requisite condition for the development of the industry and employment generation. Employment is the main key of poverty alleviation in developing nation. But due to lack of infrastructure these nations are unable to create adequate employment opportunities. Thus poverty and unemployment are goes hand in hand no country has ever reduced poverty without increase in employment and none has ever increased employment without reducing poverty. Thus there is need to focus on this issue recent time by the policy makers in order to achieve growth with equity.

Table 3: Employment on CDS basis in various NSS Rounds (Million)

Years	Rural	Urban	Total	Growth per (%) annum
1972-73	168.65	36.1	204.75	..
1977-78	171.04	42.85	213.88	0.92
1983-84	187.9	51.59	239.49	2.08
1993-94	238.75	75.18	313.93	2.61
1999-00	251.22	86.97	338.19	1.25
2004-05	278.08	106.83	384.91	2.62

* Growth rate (%) per annum is given over the previous quinquennial round

Source: DGE&T, Ministry of Labour & Employment

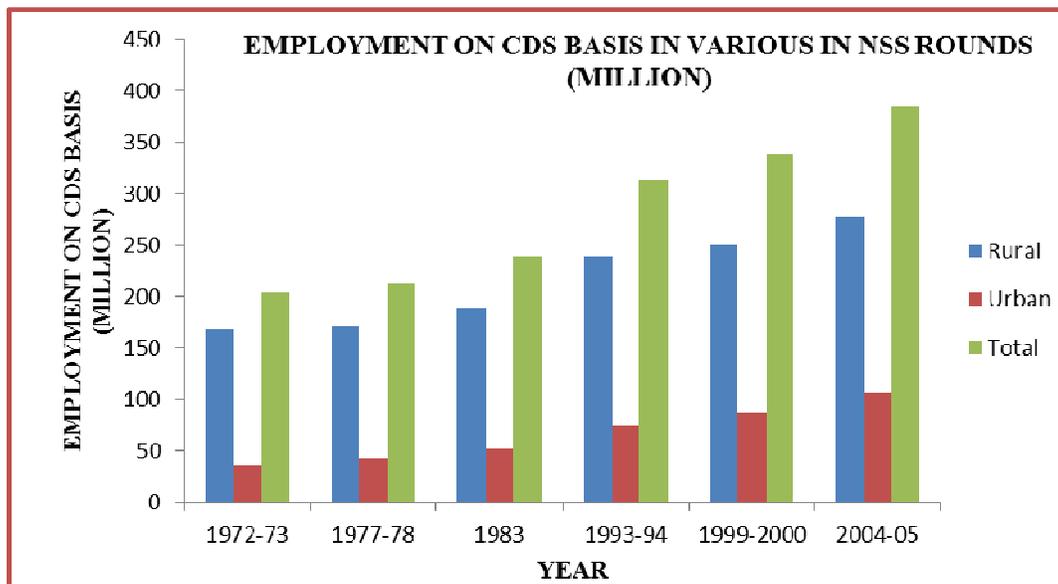


Figure 3

VI. Poverty in India

Poverty is a social phenomena under which some portion of the population is unable to fulfill their basic necessities of life. Poverty is major concern since independence and it was always on the top of the government agenda. Several schemes and policies have been implemented for poverty eradication. At the time of independence more than 50 percent population had lived below the country poverty line. Unless reduction of poverty proper development can be achieved since ultimate goal of every developmental government activity is to improve the standard of living. If the standard of living of the citizens is not improved then there is no meaning for development. Thus only the quantitative increase in national income is not important indicator of economic development. Table 4 has depicted a composition of the poverty ratio and numbers of poor in India during different NSSO round. Near about half of the urban population had lives below the country poverty line in 1973-74 and that was continuously declines and becomes 27.5% in 2004-05 however the absolute numbers of poor has been increased from 60 million to 80 million respectively. Rural poverty has also declined considerably during the 1973-74 to 2004-05. There was 56.4% rural population lives in poverty in 1973-74 and has been significantly declines and becomes 28.3% in 2004-05. The total poverty ratio and numbers of poor are also declines. It is one of the good sign of the development. But still one –fourth segment of the population is living in poverty and that is undesirable. Thus in incoming years policy makers and government has to give proper attention towards the problem of poverty. The poverty line has to be redefined in order to get actually figure of poverty. The proper standard of living cost, inflation rate and international standard should be considered while fixation of poverty line. But that is not happening in recent time and that is the main tragedy of poorer in country like India. Under the incoming food security bill near about 65 percent population will be covered in the one hand and there was a just 21 percent population lives in BPL on the other. How is it possible? If there is just 21 percent population comes under the BPL then why there is need to cover 65 percent population in food security bill. This is best example of controversial methodology.

Table 4: Percentage and Number of Poor

Year	Poverty ratio %			No. of Poor (Million)		
	Rural	Urban	Total	Rural	Urban	Total
1973-74	56.4	49	54.9	261.3	60	321.3
1977-78	53.1	45.2	51.3	264.3	64.6	328.9
1983-84	45.6	40.8	44.5	252	70.9	322.9
1987-88	39.1	38.2	38.9	231.9	75.2	307
1993-94	37.3	32.4	36	244	76.3	320.4
1999-00	27.1	23.6	26.1	193.2	67	260.2
2004-05*	28.3	25.7	27.5	220.9	80.8	301.7

Note: * uniform reference period, Comparable with 1993-94 Estimates;

Source: Planning Commission Estimates, Data book for DCH, 2011

VII. Foreign Trade of India

It has empirically proved that trade is an engine of economic growth. At the initial stage of economic development there is always unfavorable balance of trade because of several causes

and that is acceptable phenomena. But when we have successfully completed eleventh five year plans and there is still unfavorable balance of trade, it is not acceptable phenomena. We are not at the initial stage of development now we are far away from that stage. Unfavorable balance of trade implies that higher dependence and lesser self independency. Fertilizers, Fuel, consumer durable goods are the major import particulars in India. Interest amount is also still dominant contributor in balance of payment deficit of India. Thus in future we should have to try become self-reliance in these commodities and every attempt should be made in such way so as to export exceeds import. In table no. 5 the value of import -export in US million dollar and Trade balance has been portrayed. It reveals that there is continuously and rapidly deficit in balance of trade taken place during the 2003-04 to 2010-11. This dismal picture shows increasing level of dependency of the country.

Table 5: Foreign Trade 2003-04 onward - Annually

Year	US dollar Million		
	Export	Import	Trade balance
2003-04	63843	78149	-14306
2004-05	83536	111517	-27981
2005-06	1,03,091	149166	-46075
2006-07	126361	185749	-59388
2007-08	162904	251439	-88535
2008-09	185295	303696	-118401
2009-10	178751	288373	-109622
2010-11	245868	350695	-104827

Source: www.dgciskol.nic.in; <http://commerce.nic.in/PressRelease> 2nd May, 2011)

VIII. Share to World Trade based on Merchandise, Exports of Selected Economies

In table no.6 Share of major selected countries in World Trade based on Merchandise has been represented. It is clear that USA is dominant country so far as their percentage share in total world trade is concern. On the contrary the percentage share of India in total world trade is negligible. China have achieved the tremendous and notable share in total world trade i.e. it was just 2.5 % in 1995 and it becomes 7.97 % in 2009 on the other hand India were 0.66 % and it becomes 1.93% in respectively. The position of UK is somehow different it has 5.06% in 1995 and it has declines and becomes 2.22% in 2010. Thus there is need increase this share in order to maintain the status of emerging big Asian economy.

Table 6: Share to World Trade based on Merchandise, Exports of Selected Economies

Year	Share in World Total Export (%)			
	China	India	UK	USA
1995	2.5	0.66	5.06	14.59
1996	2.5	0.68	5.18	14.83
1997	2.48	0.72	5.36	15.67
1998	2.47	0.76	5.65	16.62
1999	2.8	0.79	5.49	17.89
2000	3.35	0.77	5.18	18.73
2001	3.76	0.78	5.3	18.19

2002	4.38	0.84	5.4	17.8
2003	5.25	0.92	5.08	16.58
2004	5.87	1.04	4.92	15.95
2005	6.08	1.32	4.73	15.97
2006	6.36	1.43	4.84	15.42
2007	6.69	1.61	4.36	14.14
2008	6.87	1.95	3.84	13.15
2009	7.97	1.93	3.79	12.68
2010	5.51	1.39	2.22	7.9
99-00 Average of -10years	5.86	1.36	4.64	15.43

Source: World Trade Organisations (WTO) Secretariat and IMF; Ministry of Commerce & Industry, Govt. of India (as on 27th August, 2010).

IX. Conclusion

After having the overall observation it can be concluded that there is much more future scope for the extension of overall economic activities in modern competitive era. Government has to put focus on core industry development, infrastructure development and social sector development. Capitalism is not an instrument of development it is only a mode of growth. Therefore Government has to play very crucial role in overall development activities. But excess interference should be in future prospects. No doubt that we are moving on the path of development but we are totally failed to achieve sustainable development. The welfare of the citizens, maintaining internal peace through law and order, to bring high quality of human resources through moral education and last but not least is to maintain external security are the major merging challenges in front of government.

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