

# Some gains, big losses

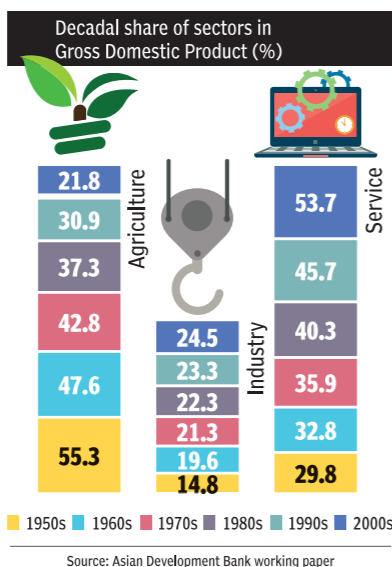
Economic liberalism has boosted services and exports but at the cost of agriculture and public sector jobs. By **RAMESH CHAKRAPANI**

As we commemorate 25 years of the liberalisation of the Indian economy, characterised by the dismantling of the licence raj and the inexorable march towards globalisation and neoliberalism, it is time to take stock of how the so-called reforms have benefited the country vis-a-vis growth rates in gross domestic product (GDP) and agriculture, employment, education and foreign trade.

Worldwide, economies transition from dependence on agriculture to manufacturing to services in tandem with rising education levels and greater prosperity. India is no exception, and ever since liberalisation was ushered in (in 1991) the country has seen a rapid rise in the services sector's share of the GDP.

In a 2013 Asian Development Bank (ADB) working paper, Arpita Mukherjee describes the decadal change in the share of key sectors in the nation's GDP, starting with the 1950s, when agriculture was dominant. The rise in services is apparent as early as the 1980s, but it is in the subsequent decades that it overtakes both agriculture and industry, accounting for more than half of the GDP in the first decade of this century.

The real GDP growth rate, as determined by the Planning Commission, was a healthy 8 per cent in 1999-2000, but it subsequently plummeted to below five per cent



in the fiscal years ending 2013 and 2014. During the decade and a half or so, the growth in agriculture has been highly erratic; for instance, it was a dismal 2.67 per cent at the turn of the century, but five years later it had plunged to 0.18 per cent, only to zoom to 8.60 per cent after another five years.

Planning Commission data from its macroeconomic summary as on December 1, 2014, showed that the trade deficit, which was at \$17.8 billion in 1999-2000, climbed rapidly until 2012-13, when it hit \$195.7 billion, before dipping to \$147.6 billion the next year. The country's external debt, too, skyrocketed from \$98.3 billion 15 years ago to \$442.2 billion.

## India's international trade in Rs.crore

| Year    | Exports      | Imports      |
|---------|--------------|--------------|
| 1996-97 | 1,18,817.98  | 1,38,919.65  |
| 2006-07 | 5,71,779.29  | 8,40,506.31  |
| 2010-11 | 11,36,964.26 | 16,83,466.96 |
| 2014-15 | 18,96,348.42 | 27,37,086.58 |
| 2015-16 | 17,14,617.71 | 24,88,007.47 |

Source: Ministry of Commerce & Industry

## Macroeconomic summary as on December 1, 2014

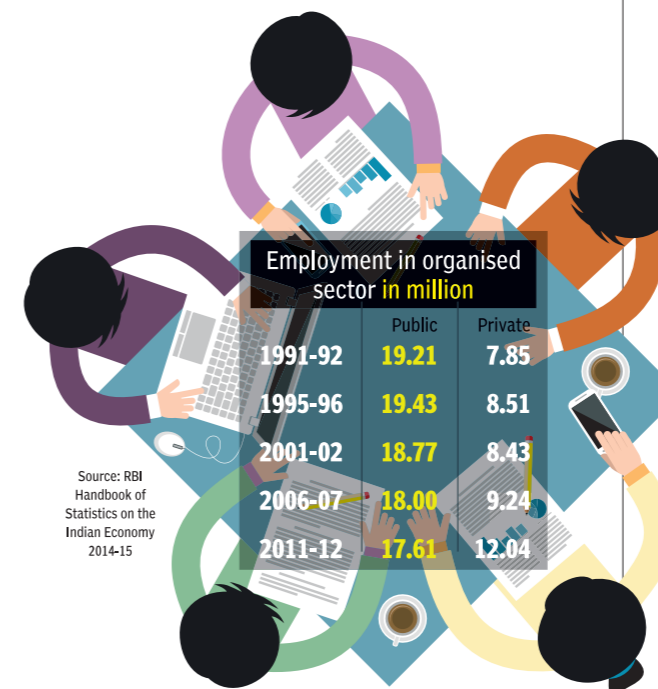
| Year          | Real GDP growth rate (%) | Agriculture growth (%) | Trade deficit (\$b) | External debt (\$b) |
|---------------|--------------------------|------------------------|---------------------|---------------------|
| 1999-00       | 8.00                     | 2.67                   | 17.8                | 98.3                |
| 2004-05       | 7.05                     | 0.18                   | 33.7                | 134.0               |
| 2009-10       | 8.59                     | 0.81                   | 118.2               | 260.9               |
| 2010-11       | 8.91                     | 8.60                   | 130.6               | 317.9               |
| 2011-12       | 6.69                     | 5.02                   | 189.8               | 360.8               |
| 2012-13 (RE)* | 4.47                     | 1.42                   | 195.7               | 409.4               |
| 2013-14       | 4.74                     | 4.71                   | 147.6               | 442.2               |

Source: Planning Commission \*Revised estimate

## Public expenditure on education in Rs.crore

| Year    | Amount      | % of GDP |
|---------|-------------|----------|
| 1991-92 | 18,757.61   | 3.18     |
| 1996-97 | 36,371.64   | 2.92     |
| 2001-02 | 64,847.71   | 2.99     |
| 2006-07 | 1,10,340.36 | 2.79     |
| 2008-09 | 1,52,822.40 | 2.88     |
| 2010-11 | 2,33,510.11 | 3.22     |
| 2011-12 | 2,82,852.09 | 3.37     |
| 2012-13 | 3,23,849.98 | 3.45     |

Source: Ministry of Human Resource Development



## SSI sector performance

| Year    | Units (million) | Production value (Rs.billion) | Employment (million) | Export value (\$million) |
|---------|-----------------|-------------------------------|----------------------|--------------------------|
| 1991-92 | 7.06            | 806.15                        | 16.60                | 5,632                    |
| 1996-97 | 8.62            | 1,678.05                      | 20.59                | 11,056                   |
| 2001-02 | 10.52           | 2,822.70                      | 24.93                | 14,938                   |
| 2006-07 | 36.18           | 13,513.83                     | 80.52                | 40,309                   |
| 2009-10 | 41.08           | 16,193.56                     | 92.18                | 82,494                   |
| 2010-11 | 42.87           | 17,215.53                     | 96.52                | 1,11,403                 |
| 2011-12 | 44.76           | 18,343.32                     | 101.17               | 1,31,483                 |
| 2012-13 | 46.75           | -                             | 106.14               | 1,28,162                 |
| 2013-14 | 48.86           | -                             | 111.43               | 1,32,895                 |

Source: RBI Handbook of Statistics 2014-15

## Rising forex, falling rupee

| Year    | Forex assets (\$billion) | Exchange rate to dollar |
|---------|--------------------------|-------------------------|
| 1999-00 | 35.1                     | 45.9                    |
| 2004-05 | 137.2                    | 45.0                    |
| 2009-10 | 297.3                    | 47.4                    |
| 2010-11 | 296.7                    | 45.6                    |
| 2011-12 | 296.6                    | 48.1                    |
| 2012-13 | 295.7                    | 54.0                    |
| 2013-14 | 303.7                    | 60.4                    |

Source: Planning Commission

At end-September 2015, external debt stood at \$483.2 billion, according to Finance Ministry data. These two negatives do not bode well for the health of the economy, especially given the steady erosion in the rupee's exchange rate versus the dollar.

While the value of exports has increased significantly in the 25 years since the economy opened up, imports have also zoomed, in fact to a greater degree, according to statistics from the Ministry of Commerce & Industry.

A key side effect of liberal policies has been steadily decreasing employment in the public sector. Reserve Bank of India data show that the number of public sector employees, which was 19.21 million in 1991-92, had fallen to 17.61 million in 2011-12.