Chapter 9:

Future of the Indian economy in the light of liberalization and globalisation
Positive Impacts of Liberalisation

9.1.1 Position of foreign exchange

Indian Rupee has become stronger (value wise) in comparison to US dollar but the situation may be a set back to the exporters who get payment after conversion in Indian Rupee. India has emerged stronger in its external payments position at the end of the first decade of liberalization and structural reforms that have transformed the country’s standing in the world economy. The 1991 balance of payments crisis was turned into opportunity by Government to re-set the directions of the economy to become outward oriented and move closer to integration with the world economy.

The reforms covered trade and industrial policies, the exchange rate, tax and foreign investment policies and the banking system. The launching of a truly liberalised trade regime, with a two-step devaluation of the rupee in 1991 leading later to market-determined exchange rate, and the ushering in of a conducive climate for foreign investment inflows, have had a dramatic impact on the country’s external transactions.

Trade and Investment Flows

The early 1990s saw a surge in exports, a significant rise in foreign direct investment and other capital flows including portfolio capital from foreign institutional investors and a substantial increase in ‘private transfers’ under the category of ‘invisibles’ in balance of payments account. In ten years, 1991-2001, over 37 billion dollars of foreign investment flowed. Of this 18 billion dollars was direct investment, i.e., an average of 2.2 billion dollars a year.

The private transfers, which averaged two to three billion dollars in the 1980s – mainly the remittances of Indians employed abroad – grew to a level of 10-12 billion dollars in the latter half of 1990s.

The export growth momentum resulting from the gradual opening of the economy and the exchange rate reforms including the convertibility of the rupee for current account transactions in
August 1994 triggering the surge in invisible receipts, are the two major factors which helped contain the current account deficit in BOP to 1 to 1.5 per cent of GDP between 1991 and 2001.

**BOP Surplus**

A low current account deficit is a healthy indicator of the country’s balance of payment position. With the strong capital flows (net) from 1993-94 onwards, India could easily finance the current account deficit and add sizeable amounts to the foreign exchange reserves. NRI deposits with the banking system in India have also been on the rise from 13 billion dollars in 1991-92 to 23.8 billion dollars by March 2001.

The balance of payments has recorded an overall surplus in most of the years and consecutively for five years from 1996-97. India’s foreign exchange reserves, which were barely one billion dollars in the pre-crisis year, have now reached a level of 40 billion dollars (other than gold and SDR), the average annual addition being 4.5 billion dollars. This order of reserves is equivalent to eight to nine months of imports.

The external sector strength has to be derived essentially from exports. And, after a few years of slowdown, there has been a revival with growth rates moving upto 11 and 20 per cent in the two years ended March 2001. But no less important is the management of the external sector as a whole including exchange rate stability.

India has successfully withstood the fall-out effects of the Asian financial turmoil in 1997, the economic sanctions imposed by USA and other countries following the nuclear tests in May 1998 and the sharp rise in international oil prices since the closing months of 1999. In spite of a heavy outgo of over 10 billion dollars from imports of higher priced oil, India’s trade deficit has been contained within manageable limits.

**Exchange Rate Stability**

The rupee has been coming under pressure from time to time, and there has been a rapid depreciation from Rs. 38-39 to the US dollar in 1997-98 to Rs. 46-47 to the dollar by June 2001.
The Reserve Bank’s effort is to prevent undue volatility in the exchange rate of the rupee which is determined by market forces.

India’s handling of monetary and exchange rate policies has been commended by the International Monetary Fund (IMF), though the latter has been expressing concern over the level of fiscal deficit of the Centre and the States at 10 per cent of GDP and the slow pace of reform implementation. India has decided to move cautiously towards opening up of the capital account for nationals. The relaxation for foreign investors has spurred capital inflows that contribute to capital formation in the economy besides adding to the reserves. In recent years the role of external assistance has been declining and the emphasis is on non-debt creating flows like foreign direct investment. India is also having recourse to commercial borrowings abroad but within prudent limits. All this gets reflected in the external debt profile of the country.

**External Debt**

India’s external debt stood at 98.4 billion dollars in March 2000. While the figure includes commercial borrowings and NRI deposits, the short-term debt was only 4 billion dollars and 38 per cent of the long-term debt is concessional repayable over a long period. India is regarded as a moderately indebted low-income country but there is no risk of any default on India’s part, given the strength of the macro-economic fundamentals. There are enough indicators of India’s solvency. The debt-GDP ratio has further declined to 22 per cent while the debt service ratio (as a proportion of current account receipts) has fallen to 16 per cent from 30 per cent in 1991-92.

The Reserve Bank of India says all indicators suggest that improvement in the balance of payments is driven by fundamentals which brighten the near-term outlook in the external sector. Also, it should be noted that the strengthening of balance of payments has taken place at a time of doubling of international oil prices. What is more significant for the economy as a whole is the growth of current receipts, especially ‘invisibles’ which comprise private transfers (remittances from NRIs and software export earnings).

**Software Exports** Beside the 10-12 billion dollars of private transfer a year, the receipts from software exports have risen from 1.1 billion dollars in 1996-97 to 4 billion in 2000-2000. In 2000-01 software exports, have reportedly earned 6.2 billion dollars.
IT-related services and software exports are projected at 60 billion dollars by 2009. There is no doubt that with the present trend of 50 per cent annual growth in software exports alone the latter could become the principal source of foreign exchange earnings among the traded goods and services in the not distant future.

Medium-Term Outlook

While the balance of payments outlook is bright and rosy a few caveats will be in order. Firstly, as India slowly marches towards globalisation, with growing levels of trade and investment flows, it would also become vulnerable to external developments like a slowdown in industrial nations, volatility in international financial markets, swings in exchange rates of major currencies, and unanticipated price movements such as in the case of oil. Secondly, the sustainability of foreign investment and other capital flows would depend on India’s ability to curtail its excessive fiscal deficits and achieve higher growth with price stability and raise India’s share of world exports. Thirdly, the 40 billion dollar reserves include over nine billion dollars of medium-term bonds floated in 1998 and 2000 for NRI subscription repayable over the next two to five years and other flows which could be withdrawn any time like portfolio investments. Though India’s reserves are fairly comfortable, the Reserve Bank does not think that there can be any complacency. The criterion is to keep reserves consistent with the growth in the economy, the size of the current account deficit and of short-term liabilities and the need to meet contingencies when external shocks occur. Overall, the external side of the economy looks far more encouraging with the striking impact of liberalization policies of the 1990s. Since 1990 India has emerged as one of the wealthiest economies in the developing world; during this period, the economy has grown constantly, but with a few major setbacks. This has been accompanied by increases in life expectancy, literacy rates and food security. While the credit rating of India was hit by its nuclear tests in 1998, it has been raised to investment level in 2007 by S&P and Moody’s. In 2003 Goldman Sachs predicted that India’s GDP in current prices will overtake France and Italy by 2020, Germany, UK and Russia by 2025 and Japan by 2035. By 2035, it was projected to be the third largest economy of the world, behind US and China. Post-liberalisation, the Indian private sector, which was usually run by oligopolies of old family firms and required political connections to prosper was faced with foreign competition, including
the threat of cheaper Chinese imports. It has since handled the change by squeezing costs, revamping management, focusing on designing new products and relying on low labour costs and technology.
9.1.2 Situation of the employment

India is one of the most populated countries in the world, next only to China. Although India occupies only 2.4% of the total area of the world it supports over 15% of the world population, as revealed by statistics. India is land of diversity, spread across its cultures, landscape, languages and religion. India has been invaded from the Iranian plateau, Central Asia, Arabia, Afghanistan, and the West. The Indian people have absorbed these influences producing a remarkable racial and cultural synthesis. Religion, caste, and language are major determinants of social and political organization in India today. The government has recognized 16 languages as official; Hindi is the most widely spoken. Although Hinduism is the popular religion, comprising 83% of the population, India is also home to one of the largest population of Muslims in the world—more than 120 million. The population also includes Christians, Sikhs, Jains, Buddhists, and Parsis. The caste system reflects Indian historical occupation and religiously defined hierarchies. Traditionally, there are four castes identified, plus a category of outcastes, earlier called "untouchables" but now commonly referred to as "dalits," the oppressed. In reality, however, there are thousands of sub-castes and it is with these sub-castes that the majority of Hindus identify. Despite economic modernization and laws countering discrimination against the lower end of the class structure, the caste system remains an important factor in Indian society.

Poverty is one of the major problems facing India. An estimated 30-40 percent of the population lives in poverty. Four out of five of India's poor live in rural areas. About 70% of the people live in more than 550,000 villages, and the remainder in more than 200 towns and cities. Statistics

Population: 966,783,171 (July 2003 est.)
Age structure: 0-14 years: 35% (male 173,420,822; female 163,433,648)
15-64 years: 61% (male 304,048,569; female 281,625,342)
65 years and over: 4% (male 22,536,104; female 21,718,686) (July 1997 est.)
Population growth rate: 1.72% (2003 est.)
Birth rate: 26.19 births/1,000 population (2003 est.)
Death rate: 8.87 deaths/1,000 population (2003 est.)
Net migration rate: -0.08 migrant(s)/1,000 population (2003 est.)
Sex ratio: at birth: 1.05 male(s)/female
under 15 years: 1.06 male(s)/female
15-64 years: 1.08 male(s)/female
65 years and over: 1.04 male(s)/female
total population: 1.07 male(s)/female (2003 est.)
Infant mortality rate: 65.5 deaths/1,000 live births (2003 est.)
Life expectancy at birth: total population: 62.41 years male: 61.68 years female: 63.18 years (2003 est.)
Total fertility rate: 3.29 children born/woman (2003 est.)

Above are the various statistics related to Indian population as per the 2003 estimates.

The Indian Employment Market:

English is widely spoken by managerial and supervisory personnel, and to some degree by unskilled workers. Payroll costs are generally 15-40% of total production of an industrial organisation, depending on the industry. But manufacturers are beginning to install modern, automated facilities.

Most labour laws apply only to workers in the organised sector (which does not include the small-scale sector, agriculture and most construction work). Another distinction is the special status awarded to the information-technology (IT) industry and other important service industries. Whereas approval is needed to lay off manufacturing workers, it is not required to lay off critical service-industry employees. Minimum wages apply to workers in specified sectors. Labour is abundant in India. With many well-educated individuals within the ranks of the unemployed and under-employed, competent staff, including technicians and engineers, can be found without much difficulty. Unskilled labour is readily available.

The number of persons with managerial and other white-collar skills is increasing as management institutes begin to turn out graduates. In addition, there are 4,700 industrial training institutes, which have a total capacity of around 700,000 students, offering courses in engineering and non-engineering trades.
The increasing number of multinational companies has spurred competition, making it more difficult to retain managers. The demand for managers is particularly strong in consumer products, financial services, IT, telecommunications and infrastructure. Domestic and multinational companies often offer share options as a way of boosting compensation.

Turnover rates are moderate, generally 1-2% per month (some foreign-managed firms report turnover rates of less than 1%).

**Engagement and Dismissal**

India has the world's third-largest pool of scientific and technical personnel, which serves as an important attraction for foreign investors. Most managerial and technical people, and many skilled workers, speak English, and many have studied or worked abroad. Unemployment and underemployment are high, providing an abundant supply of potential employees. Although there is a large pool of underemployed educated personnel, as in much of the developing world, illiteracy acts as a brake on labor productivity in the workforce as a whole. The current 148 industrial policy provides for hiring of foreign technicians without prior government approval.

The RBI (Reserve Bank of India) has raised the remittable per-diem rate from USD 500 to USD 1000, with an annual ceiling of USD 200,000 for services provided by foreign technicians payable to a foreign firm.

Technical personnel can remit up to 75 percent of their monthly net income through authorized exchange dealers. Total duration of employment of a technician is limited to 12 months at a time. Employment in excess of 12 months requires clearance by the Ministry of Home Affairs. India is a member of the International Labor Organization (ILO) and adheres to 37 ILO conventions protecting worker rights. Industrial relations are governed by the Industrial and Disputes Act of 1947. The Act curbs unfair labor practices by employers, workers or trade unions through imposition of fines and imprisonment. Workers may form or join unions of their choice. Nevertheless, although unionized workers affiliated with national federations number more than seven million, their unions represent less than one fourth of the workers in the so-called modern sector (subject to the Factories Act of 1948), primarily in state-owned concerns, and less than two percent of the total workforce. Where workers are unionized, wage increases are negotiated.
between unions and management. Most unions are linked to political parties and their politicization has, in the past, created problems for domestic and foreign employers. Labor militancy has declined in recent years, however, even among the formerly strident Communist-Marxist unions of West Bengal. Workdays lost to strikes and lock-outs have declined every year since 1991. Worker rights are broadly protected under Indian law. The Industrial Disputes Act established freedom of association and collective bargaining rights. The Factories Act regulates working conditions in mechanized factories employing more than 10 employees or non-mechanized factories employing more than twenty, prescribing standards for working conditions, working hours, handling and storage of materials, etc. Other laws regulate employment of women and children and prohibit bonded labor.

Enforcement of these laws has been imperfect, however, and working conditions for workers not subject to the Factories Act are often quite poor. Payment of wages is governed by the Payment of Wages Act, 1936 and Minimum Wages Act, 1948. Industrial wages range from about USD 3 per day for unskilled workers, to over USD 150 per month for skilled production workers. Retrenchment, closure and layoffs are governed by the Industrial Disputes Act, which requires prior government permission to carry out layoffs or closure of businesses employing 100 or more workers. In practice, permission is not easily obtained. However, private firms have successfully downsized using voluntary retirement schemes. India's first economic census since 1998 has shown a promising growth rate of 2.78 per cent. The nationwide 2005 survey found an estimated 100.9 million people employed in 41.8 million establishments. Nearly 90 per cent of these workers were employed in the non-farm sector as establishments here grew at an encouraging rate of 4.16 per annum. Manufacturing industries were the largest employer providing jobs for 25.25 per cent of all India's workforce. This was followed by retail trading and animal farming. A rapid growth in small-scale industries was also noted in the census - the fifth to be carried out by the Central Statistical Organization (CSO) in the country since 1977. Earlier this month the International Labor Organization (ILO) held talks to formulate a plan to help India meet its annual employment growth target of 3.9 per cent. Hospitality and aviation have been identified as the two sectors likely to drive this growth. In order to improve the position of the employment in the country, Indian government has initiated various labor programmes. Some of them are given below.
Labour and Employment Schemes

• National Rural Employment Guarantee Act (NREGA)

The NREGP is a patent attempt by the Congress-led UPA to portray itself as concerned with the plight of India’s rural masses, whose already precarious socio-economic position has been ravaged by fifteen years of neo-liberal “economic reforms”. It will also be used by the UPA as a political shield, behind which to accelerate implementation of the very economic policies that are the root cause of the misery that stalks rural India.

• Prime Minister’s Rozgar Yojana (PMRY)

Prime Minister Rozgar Yojana for providing self-Employment to Educated Unemployed Youth was announced by the Prime Minister on 15th August, 1993 to provide self-employed opportunities to one million educated unemployed youth in the country. The Scheme has been formally launched on 2nd October, 1993. The PMRY has been designed to provide employment to more than a million Person by setting up of 7 lakhs micro enterprises by the educated unemployed youth. It relates to the setting up of the self-employment ventures through industry, service and business routes. The scheme also seeks to associate reputed non-governmental organisations in implementation.

• Rural Employment Generation Programme (REGP)

Providing more and more new avenues of employment for rural unemployed people in the countryside has all along been the prime concern of Government of India.

Keeping in mind the expectations of various sections of rural areas, the Ministry of A & R I, Govt. of India has launched REGP through KVIC, KVIB in a big way. The Scheme is applicable to all new village Industry projects set up in “rural area”. Any extension or renovation of existing unit will not be eligible for this facility. All activities, which do not appear in the Negative List circulated by KVIC, are eligible for financing under the scheme. “Village Industry” means any industry located in rural Area which produces any goods or renders
any service with or without the use of power and in which fixed investment per head of any artisan or a worker does not exceed Rs.50,000/-. 

• Sampoorna Grameen Rozgar Yojana (SGRY)

Pursuant to the announcement made by the Hon'ble Prime Minister in his Independence Day speech, a new Centrally Sponsored Scheme, namely, Sampoorna Grameen Rozgar Yojana (SGRY) was launched on 25th September, 2001 by merging the on-going schemes of EAS and the JGSY. The objectives of the programme is to provide additional wage employment in the rural areas as also food security alongside the creation of durable community, social and economic infrastructure in the rural areas. The programme is self-targeting in nature with special emphasis to provide wage employment to women, scheduled castes, scheduled tribes and parents of children withdrawn from hazardous occupations. The Programme is being implemented in two streams: The First Stream of the Programme will be implemented at the District and Intermediate level, Panchayats. Fifty per cent of the funds available under the SGRY are earmarked for First Stream, these are distributed between the Zilla Parishad and the Intermediate Panchayats in the ratio of 40:60. The Second Stream of the Programme will be implemented at the Village Panchayat level. Fifty per cent of the SGRY funds are earmarked for this Stream. The entire funds are released to the Village Panchayats through the DRDAs/Zilia Parishads.

• Scheme for Working Women Hostels

With the progressive change in the economic structure of the country more and more women are living out of their homes in search of employment in big cities and urban and rural townships. One of the main difficulties faced by such women is lack of suitable and safe accommodation. Voluntary Organizations have been approaching the Government of India, from time to time for financial assistance with a view to providing hostel facilities to such women. The Government of India having appreciated the difficulties faced by such women and have decided to introduce a scheme for grant-in-aid for construction of new/ expansion of existing building for providing hostel facilities to working women in cities, smaller towns and also in rural areas. Proposal for construction of hostel should be made for one or more than one of the following
objectives: (i) To provide accommodation for single working women, unmarried, widows, divorced, separated, married when husband is out of town:

(ii) To provide accommodation to women who are being trained for employment provided the training period does not exceed one year. The number of working women falling in this category should not be more than 30% of the total number of women in the hostel

(iii) To provide accommodation to the girl students for a period of five years on the condition that first preference will be given to working women only. After that if there are any vacancies accommodation will be provided to the students also but amongst them, preference will be given to those studying in post school professional courses. The category of women who are being trained for employment and the girl students together should not be more than 30% of the total number of women in hostels.

• Support to Training and Employment Programme for Women (STEP)

The STEP Scheme had evolved in 1986 after the National Commission for Self Employed Women and Women in the Informal Sector has made a situational review of women in the informal sector and had suggested introduction of protective measures which would ensure guarantee of employment and income generation, minimum wages, welfare and support services, training and upgradation of skills. The programme of STEP advocates the objective of extending training for upgradation of skills and sustainable employment for women through a variety of action oriented projects, which employ women in large numbers. The Scheme covers 8 traditional sectors of employment, viz., Agriculture, Small Animal Husbandry, Dairying, Fisheries, Handlooms, Handicrafts, Khadi and Village Industries and Sericulture. Two more sectors, namely, Social Forestry and Waste Land Development have been added later. The programme of STEP aims to make a significant impact on women in traditional sectors by upgrading skills and providing employment to such women on a project basis by mobilizing women in viable groups, improving skills, arranging for productive assets, creating backward and forward linkages, improving/arranging for support services, providing access to credit, awareness generation, gender sensitization, nutrition education, sensitization of project functionaries. Thus, STEP advocates an integrated package of inputs aiming at the integrated development of poor women in traditional sectors. The ultimate endeavour of each project
should be to develop the group to thrive on a self-sustaining basis in the market place with the minimal Governmental support and intervention after the project period is over. The objectives of the scheme are:

- Provide training for skill upgradation,
- Mobilizing women in small viable groups and making facilities available through training and access to credit,
- Enabling groups of women to take up employment-cum-income generation programmes of their own,
- Provide support services for further improving training and employment conditions of women.

* Training of Rural Youth for Self-Employment (TRYSEM)*

As supporting component of IRDP, the scheme TRYSEM was launched with the aim to provide basic technical and entrepreneurial skills to rural youth from the families below poverty line to enable them to take up self-employment and wage employment in the broad fields of agriculture and allied sectors namely industries, services and business activities. The target groups comprises of rural youths between the age 18-35 years. The trades are both self-employment and wage employment oriented. In order to make training more employment oriented. All technical trainings proposed are to be imparted in both the training institutions and in private establishments. The training programme as such and the above method of training will provide ample scope for assistance under IRDP or any other self-employment scheme.


The first generation of reforms concentrated on the industrial economy and agricultural and rural sector were neglected. The government withdrew developmental expenditure on the rural economy owing to the fiscal correction exercise as part of the structural adjustment programme. The rural economy is still the mainstay of India and it cannot be ignored. If the problem of poverty is to be tackled the next generation of reforms cannot afford to overlook rural development. In the urban sector the large metropolitan cities are the most immediately affected on liberalization and globalization, with significant changes in the land use and work patterns. The claims made during the beginning of reforms that it is going to bring about employment growth does not seem to be true after studying the data for the post-reform period (Chadha and
Sahu, 2002; Sundaram, 2001). With more than 90 per cent working in the unorganized sector and the employment opportunities declining there seem to be urgent requirement in the policy changes to Revitalize employment generation in the economy. Another area that needs immediate attention is that of social sector spending, in the wake of fiscal corrective measures. Finally the sustainability of present pattern of agriculture growth is a necessary area of research.

Rural Poverty

Rural Credit facility during the reform era

Prior to the banking sector reforms rural banking and rural credit supply were mandatory on financial institutions. The rural banking sector suffered from severe non-payment of debts, which deteriorated the financial viability of the institution. The banking sector reforms, to correct the anomalies in the system, have substantially changed the institutional arrangement for rural credit. The organized financial sector in India is either unable or unwilling to finance a range of activities that are of crucial importance both for growth and development. Agriculture, unorganized manufacturing and many types of infrastructure are instances of such sectors. Recent financial sector reforms have naturally focused primarily on improving the viability and stability of financial institutions. New institutions such as rural based micro-credit agencies are fast replacing the traditional credit providers. Credit availability being a key factor in helping the poor to escape poverty it is of vital importance to explore the possibilities of reaching credit to the poor, especially to the rural poor. One of the fundamental problems faced by the poor is the inability to provide collaterals for credit accessibility (Bardhan, 2001). The research would explore the changes in rural credit institutional arrangements during the reform era; the impact of financial sector reforms on rural credit; In the wake of rationalizing of banking sector what alternate credit facilitating institutions are replacing them and how have they been performing to ameliorate poverty. Rural Infrastructure Development: Emerging Alternatives

The central and state governments are faced with severe financial constraints that restrict them from incurring expenditure on infrastructure building. The economic reforms had opened up many state-monopolized sectors for private investment. But the rural infrastructural sector gets very marginal attention from private investors. The lack of attention from the state and from the private sector may be deteriorating the rural infrastructural facility. The growth of the rural economy is intricately related to the infrastructure availability, which strengthens modern economic institutions that are vital to
employment generation and income growth. Evidences from studies show that the likelihood of a household being poor is influenced by the social and economic infrastructure of the village, agricultural technology used and demographic and other characteristics of the household (Gaiha, 1988). The Tenth Plan Approach Paper (2001) identifies rural infrastructure as a priority area, which requires urgent attention.

The research would broadly look into the linkages between infrastructure and poverty. It would analyse the long-term linkages between rural infrastructure and poverty alleviation, the development of rural infrastructure during the reform era, and its impact on the income growth of the rural poor. It could also delve into the issue of alternate mechanisms of financing the rural infrastructure creation in the absence of state funds.

""Urban Poverty Globalization and the changing Scenario of Urban Poverty"

The opening up of the economy has seen the resurgence of the importance of large Metropolitan cities. Private investment, both foreign and Indian have tend to be concentrated in and around these large cities (Shaw, 1999). The local governments are wooing these investments by doling out a range of incentives (Chakravorty, 1996). The large metropolitan cities are undergoing a facelift exercise as part of the city cleaning, beautification and pollution control programmes. While the city spaces are being increasingly acquired by the private commercial and service industry establishments the poorest, mainly the slum dwellers, hawkers, destitute, street dwellers are being pushed out of the city to the peripheries. The city peripheries are getting degenerated with low value employment, poor living condition, thus making the lot of the urban poor worse. There is need to study the changes, owing to the economic reforms and the ensuing liberalization of the land use policies in the land use in the metropolitan cities, the impact of these changes on physical segregation of poverty, the impact of this segregation on the working condition and living conditions of the poor. Further the role of the various political economic factors that are underway in this change can be exposed in this kind of a study.

3 Economic Reforms, Employment and Poverty
3.1 The New International Economic Order and the Working Poor

Opening-up in the developing economies was primarily visualized as a mechanism where trade would function as 'an engine of growth' and the fruits of growth would 'trickle down' to the poor. However, the results had been mixed, with many countries observing widening inequality
in their economies, contrary to the conventional trade theory prescriptions. The internationalization of trade has opened up vistas for Globalization of production creating profound changes in the labor market, such as widening wage disparity, increasing contractualisation of work, skill based segregation of work etc. In this context it is essential to understand the impact of opening up of the economy to trade and Globalization of production under the new international economic order on the working poor in a developing economy like India. The research would broadly cover labor and employment issues of liberalization in trade and globalization of production such as the impact of flexible production on labor, normalization, income distribution, collective bargaining, and economic security to the poor etc.

"" Economic Reforms and Workers in the Unorganized Sector"

The unorganized sector is called so because the activities in the sector cannot be accounted statistically. And they are generally accounted as a residual of the organized sector. But this residual sector is more than 90 per cent of the total work force in India as per 1991 census. This exclusion from the numbers have reflected on the policy level too, with hardly any legal backing, any social spending, or any other form of support to this class of workers, who are also the poorest among all groups of workers. Even among the workers there are no collective bargaining institutions to project their case. For the vast majority of them there is no fixed place of work, no fixed working hours, no regular wages, no job security. Thus they have become one of the most vulnerable to poverty. Globalization is argued to be 'informal sing' and 'casual sing' the employment opportunities in the economy thus further expanding the unorganized form employment. Women form a substantial and increasing share of employment in the unorganized sector. The world of work for women is characterized by unequal reward for equal work and uneven opportunities for the participation in economic decision-making. Added to this is a near stagnation in the number of female workers as a whole and an absolute decline in the number of female workers in the rural areas due to, declining work participation rates in both rural and urban areas in the post reform period. Recognizing that unorganized sector is an essential feature of developing economies and Reconciling the fact that economic reforms are only going to vitiate the status of the sector it is to be understood as to how certain amount of economic security can be brought into this sector which would ensure them escape from poverty. It is also essential to understand the underlying factors that have vitiated the condition of women in employment and consequently poverty.
Social Sector Expenditure and the Poor Under the New Economic Policy

The social sector expenditure as a proportion to GDP had been stagnant in the 1990s and there had been a definite shift away from rural development. The share of health expenditure had been stagnant and that on education had been declining. The government is further trying to reduce the size of current expenditure by shrinking the accounts on pensions, subsidies etc. What had been the impact of the social expenditure on poverty eradication? How has the reduction in the social sector expenditure affected the poor? These are the questions that could be answered through a research on this topic.

Sustainable development

The indiscriminate use of chemical based fertilizers, especially the subsidized fertilizer has created an imbalance between N, P and K, whereas excess use of water has produced water logging in many areas. In Punjab the productivity of rice and wheat have plateau and farm incomes are stagnant. There is a growing realization of the degradation of land, water, and environment due to the current pattern of agricultural production and its sustainability is being questioned. The Approach Paper to the Tenth Plan identifies this as an area of prime concern. To quote "It is necessary to evolve a new approach to agricultural policy based on a careful assessment of current constraints and possibilities.... There is therefore no alternative but to focus on raising the productivity of our land water in a manner, which is sustainable over the longer term. There is a need to research on the problems of land and water degradation due to the pattern of agriculture production followed various parts of the country. The study may be able to bring pour the linkages between sustainable agricultural growth and the rural poor. It could suggest improvements in agriculture production that would be sustainable and would improve the earnings of the rural poor. It is the result of liberalization and globalization that the economy has been thrown open for the foreign companies as a result of there are enormous job opportunities available for the Indians.

Number of jobs in 2008:

The sectors generating the highest number of jobs in 2008 are Education at 10,429,312, Hospitality at 6,595,879 followed by Health at 3,616,525. Faced with high growth potential, firms in the production and service sectors have found themselves constrained by the quality of the workforce. Raising employability levels has therefore been an objective not just for the workforce looking for jobs, but also for the companies who have initiated partnerships with
private and public institutes to build up relevant skills and training. It is for this reason that the Education sector has seen high employment growth and though there may be a slowdown as economic growth moderates this year, employment growth will remain highly positive this year. Mining Sector records the lowest number of jobs in 2008. With the PSUs being major players in the sector, the employment is seen to be on the downturn because of the same reasons impacting the employment in PSUs of other sectors. The VRS schemes and lack of new employment opportunities is further adding to the low employment figures.

Other key highlights:

- At 19%, the Real Estate and Construction Industry records the highest percentage of work outsourced followed closely by Hospitality at 18.5%
- Experienced workers are hired more than freshers, who constitute a little more than a quarter of the newly hired. Sectors where the demand for freshers is above 30% include Hospitality, Energy Generation & Supply Sector, ITES and Mining & Extraction. Real Estate & Construction stands out as the sector in which more than 75% of the recruitments are of experienced professionals.
- It is observed that the Energy Generation & Supply sector will experience the highest average salary increase (16.8%). Other booming sectors in terms of average salary increase are IT, Real Estate & Construction, Trade and Hospitality sector among others.

Current indications show that the impact on expected employment over the next one year is mixed. Some sectors such as mining, minerals, food products, furniture, textiles are expected to turn in negative growth in employment while there are many such as health, hospitality, IT and ITES, real estate and construction that are expected to generate jobs. India’s growth trajectory has changed considerably and both stakeholders- the corporate world and the government are aware of the responsibility on them to uphold the new standards of growth and employment. Thus from the above discussion it is clear that the opening up of the economy has various merits especially in respect to the employment opportunities.

Employment in India is going through dramatic changes defying conventional wisdom and turning many common perceptions on their heads. For the first time since independence employment has grown at a faster rate than population during a five-year period between 2000 and 2005. This is a clear reversal of the jobless growth witnessed in 90s.
Despite the growth in jobs, unemployment has also grown. An increasing number of women and elderly are now joining the workforce while the earlier trend of child labor decreasing has slowed down. In fact, among the urban male children there is a slight increase in the proportion of those working compared to 1999-2000. Casual labor is also down and self-employment is up. The industrial sector is generating more job than the service. The workforce participation rate that is the number of persons working as a percentage of the total population has increased by 2.85% a year between 2000 and 2005 which is well beyond the current population growth rate. This increase has been more significant in urban areas and among males. However, the unemployment rate has also gone up especially among females in both urban and rural areas. More people from among those who earlier did not seek work are now in the job market, some of them find jobs some don’t pushing up the numbers in both employed and unemployed categories. Some experts argue that this is happening because families are opting for more and more members entering the job market in order to boost family incomes.

**Some statistics**

- Jobs grew 2.8% annually in 2000-05, population by 2.35%.
- Unemployment also up from 7.4% to 8.7% as more people sought work.
- More women and aged worked. Proportion of women working up from 26% to 29%. Number of 60+ working was up by 4 million.
- Casual workers fell from 33% to 28%, self-employed up from 53% to 57%.
- Real wages grew less 1.3% vs 2.8% in agriculture, 0.8% vs 4.2% in rest from 99-2000 to 04-05 than earlier.

Thus we see that since the Indian economy has opened up for foreign investors, there are ample job opportunities for the Indians. The rate of unemployment is coming down and thus
there by increasing the status of the Indians. Both the Central as well as State Governments have
given a gift to the masses by implementing the 6th Pay commission. So it is expected that in
times to come the standard of living of the masses is still going to improve so that it is able to keep pace with the other growing economies of the world.
9.1.3 Standard of living

Although standard of living in India is modest and is constantly improving, India suffers from substantial poverty with 27.5% of the population living below the poverty line in 2004–2005. The single most common indicator used to quantify standard of living is the per capita purchasing power parity (PPP) adjusted gross domestic product (GDP). In 2006, the per capita PPP-adjusted GDP for India was US$6,737. These figures can be compared to $7,590 for neighbouring China.

With one of the fastest growing economies in the world, clocked at an average growth rate of 8% between 2004-2005, India is fast on way to become a large and globally important consumer economy. The Indian middle class, touted to be anywhere between 200 and 300 million, is fast becoming used to Western culture. If current trends continue, Indian per capita purchasing power parity will grow to be approximately one third that of the developed world by the middle of the 21st century. In 2006, 22 percent of Indians lived under the poverty line. India is aimed to eradicate poverty by 2020.[2]

The standard of living in India shows large disparity. For example, rural areas of India exist with very basic (or even non-existent) medical facilities, while cities boast of world class medical establishments. Similarly, The very latest machinery may be used in some construction projects, but many construction workers work without mechanisation in most projects.

The recent economic developments have helped upper and middle class Indians. A high proportion of India's citizens are in need of the benefits of development. The National Sample Survey Organisation (NSSO) estimated that 22.15% of the population was living below the poverty line in 2004–2005. 75% of the poor are in rural areas (27.1% of the total rural population) with most of them comprising daily wagers, self-employed households and landless labourers. 34.7% of India's poorest population live on less than US$1 a day and 79.9% of India's poorest live on US$2 per day.

Since the early 1950s, successive governments have implemented various schemes, under planning, to alleviate poverty, that have met with partial success. Programmes like Food for work and National Rural Employment Programme have attempted to use the unemployed to
generate productive assets and build rural infrastructure. In August 2005, the Indian parliament passed the Rural Employment Guarantee Bill, the largest programme of this type, in terms of cost and coverage, which promises 100 days of minimum wage employment to every rural household in 200 of India's 600 districts. The question of whether economic reforms have reduced poverty or not has fuelled debates without generating any clear cut answers and has also put political pressure on further economic reforms, especially those involving downsizing of labour and cutting down agricultural subsidiary. The living standards of the peasantry, workers, middle strata and other sections affected by the mergers, closures and rationalizations have been further depressed because many cannot pay for the essential services that have been privatized since then. The defense builds up and the interest payments continue to drain an increasing share of the surplus produced by the people of India while at the same time raising the specter of war. Only the people of India can force a change in the way the economy is run and they must do so by demanding that a war on poverty becomes the first order of business before Any loan repayments or weapons purchases are done. The relationship between the renewal of economy and politics is becoming apparent. The economy must be organized to provide for the people and the political process must be organized so that people can exercise their sovereignty or supreme power, including on economic matters. I think these are the times for all of us to hoist the banner of vesting sovereignty in the peoples. It is not difficult to demonstrate that the people of India actually do not decide anything that has a bearing on their welfare. Such things as illiteracy continue at very high rates in India, especially among women and the poor, and the state refuses to allocate resources to end this curse of ignorance. But it has no shortage of funds to beam its propaganda into the remotest parts of the country through television to perpetuate backwardness, mysticism and submissiveness in the name of modernization of the illiterate people. Poverty, ignorance and deprivation keep the people ready to work at low wages. The international financial agencies and corporations are also very active in many countries, including India, in the disguise of helping various organizations fighting for "empowerment". But their insidious activity is to ensure that none of these organizations link their struggles with the struggle for livelihood and against globalization. Thus all the individuals and organizations that are fighting for any right, is it for literacy, for clean water, for a secular polity and so on - that they also address themselves to the issue of livelihood for all the people who constitute
India. In doing so, they will not only succeed in putting their own struggles on the agenda, but will objectively contribute to the unity of all the peoples and their movements. It is within such a broad movement of the people that all the struggles can succeed. It is the living experience of the people that the ruling circles do everything to keep their struggles disunited and isolated and exert maximum pressure for them to conciliate with their victimizers. By creating conditions for the broad discussion of the effects of globalization on the people it will be possible to make them fight against the forces of globalization and its chief proponents. We must impose our definition of

What are the substantive problems of our times, the solution of which will enable the solution of all other problems? Thus the time is now to put the war on poverty on the agenda. It is time to stop treating this as a policy objective, but to make this the program in itself. This means that it is necessary to elaborate on the strategy and tactics of this war, and to organize people behind this. Opposition to militarization and to the economic reforms is the two important elements. People will have to stop the ruling circles from allocating funds for interest payments or the purchase of weapons until their needs for education, housing, healthcare, public distribution of essential food items; sanitation and drinking water have been met. People can not only seize the initiative in their hands and end their marginalization from the economic activities of the country by taking up such a program, but in the process end the marginalization of all their struggles for rights. .

Indians are at the crossroads of a big change in their way of living. Economic liberalization, a large pool of young and educated workforce and a middle class consumer base of 300 million has propelled rapid economic growth in the country. However this growth tends to be concentrated in its cities. Cities are growing uncontrollably and are in the throngs of infrastructure development with new mall construction, mass-transit infrastructure, condominium housing complexes, attracting more migrants from the rural areas, with people changing their lifestyle from more traditional and sustainable to Western-inspired consumerism. On the other hand rural populaces, which constitute nearly 70 percent of Indian total population, are still struggling for basic essentials of survival, reaping little or no benefits of economic liberalization or the consumer society. In both urban and rural situations, NGO's are acting on the field, since a long while, helping to counterbalance endemic extreme poverty as well as new effects of booming urbanization and uncontrolled economic growth. The meaning of living has changed from 'means of sustenance' to 'sustainable lifestyles', in the communities that the NGO's are
currently working in, be it rural or urban communities, farmers, elderly people, disadvantaged groups, women and so on.

Real life examples of groups of people, who have begun to organize their lives in a sustainable way. These cases describes new ways of organizing everyday life such as production activities based on local resources and skills; healthy, natural forms of nutrition; self-managed services for the care of children and the elderly; new forms of exchange; alternative mobility systems; socialising initiatives to bring cities to life; networks linking consumers directly with producers...and so on.

Liberalization and globalization has brought a drastic change in the way people think. With the changing pattern of earning money there has been a great change in living style of the Indians. For example since ancient times marriage has been deemed a sacred duty but now people prefer to live in live-in relationship rather than getting a stamp of marriage.

With the opening of the Indian culture because of large some of money people have started spurg in on cars, giant flat TV screens, expensive cell phones. Indians are so inspired by the technology and fashion that these electronic gadgets go out of fashion soon and still they do not hesitate to splurge on them again.

A strange new brood has come of age in India. Part of a plumping middle class -- the first to enjoy satellite TV and U.S.-style consumerism -- India's well-to-do 20-somethings spend freely, date casually, and party hard. As if slipping out of a medieval corset, many now reject their ancient society's tight restraints on personal freedom. Heirs to a booming economy, more than 50 million young adults in India are now affluent. They are trailblazers for the country's huge under-30 population, a demographic balloon that amounts to 60 percent of a billion-plus population. Their frustrations and desires will soon dominate India, a nuclear-armed nation of rising global ambitions.

Indian media have offered several names for the group of people enjoying the benefits of liberalisation and globalisation: "zippies" for the zip in their stride, "indies" for their financial independence, and perhaps most aptly "liberalization's children," coined in reference to the 1991 fiscal reforms that marked the Indian economy's lurch skyward. Middle-aged Indians call them
aliens. Following independence in 1947, that older generation faced decades of recurring famine and war, along with a dreary, socialist-inspired marketplace -- consumer choice meant two models of cars and a year-long wait for a phone line. They obeyed their fathers and revered the principle of Gandhian austerity. So many years into the fiscal liberalization project, their children have entered adulthood with little or no memory of their country's sedate past.

It is believed that most of Indians view themselves as vanguards of an emerging, more modern Indian identity. Some Indians worry that middle-class youth have become scornful of their heritage. They note how young men now sport baggy pants and slick goatees like U.S. hip hop stars, how young women spurn saris for Capris and spaghetti tank-tops, how drug use and one-night stands have become routine among the urban party crowd. There has been a drastic change in the living style of the Indians. Where duty to family had held sway, individualism became the mantra. Careers have multiplied in industries like retail, tourism, banking, and most notably Internet technology, where the average employee is under 30 and takes home roughly 50000/- per month, a handsome sum here. Thanks in part to outsourced U.S. jobs, software and information-technology enabled employment has in the past three years doubled to about 1,045,000 jobs, according to the industry lobby Nasscom.

As marketers scramble to corral the estimated $14 billion in spending money held by young Indians, shopping malls have spread like an advancing emprise across India's slum-ridden cities -- the first rose in 1999 and around 300 are planned by 2010.

At glass-paneled Ansal Plaza in New Delhi, packs of shaggy-headed teenage boys prowl for thin girls in low-waist jeans, as Bananarama's "Cruel Summer" plays over the sound system. They shop at Benetton, eat at McDonald's.

With the opening of the Indian market it has again impacted the minds of the country men. The free-wheeling market has opened the minds of his generation. Not long ago a family trip to the cinema was thought the height of entertainment, but India's metros have now spawned a kinetic party scene. More than 100 nightclubs have opened in the past five years in two of India's most happening cities, New Delhi and Mumbai.

Liberalization's children are beset with new temptations. In the last five years, India has experienced a dramatic rise in middle class drug addiction, an affliction that was before largely confined to street dwellers.
The scene has also become staging ground for a secret sexual upsurge. India remains a land where nonmarital sex is highly stigmatized, particularly for women. Public kissing is not done, and boys and girls traditionally grow up sharply segregated. The growing penchant for mischief has gone largely unnoticed within India's extended families, but many young people are breaking more overtly with tradition. Increasingly they are choosing to remain single well into adulthood, or picking partners of whom their parents disapprove. More than a third of single, urban women now reject the tradition of arranged marriage. The value system is fast eroding.

Thus from the above discussion it is very clear that the living standards of the peasantry, workers, middle strata and other sections affected by the mergers, closures and rationalisations have been further depressed because many cannot pay for the essential services that have been privatised since then. The defence build up and the interest payments continue to drain an increasing share of the surplus produced by the people of India while at the same time raising the spectre of war. Only the people of India can force a change in the way the economy is run and they must do so by demanding that a war on poverty becomes the first order of business before any loan repayments or weapons purchases are done. As the discussion develops, the relationship between the renewal of economy and politics is becoming apparent. The economy must be organized to provide for the people and the political process must be organized so that people can exercise their sovereignty or supreme power, including on economic matters. It is the times for all of us to hoist the banner of vesting sovereignty in the peoples. It is not difficult to demonstrate that the people of India actually do not decide anything that has a bearing on their welfare. Such things as illiteracy continue at very high rates in India, especially among women and the poor, and the state refuses to allocate resources to end this curse of ignorance. But it has no shortage of funds to beam its propaganda into the remotest parts of the country through television to perpetuate backwardness, mysticism and submissiveness in the name of modernization of the illiterate people. Poverty, ignorance and deprivation keeps the people ready to work at low wages. The international financial agencies and corporations are also very active in many countries, including India, in the disguise of helping various organizations fighting for "empowerment". But their insidious activity is to ensure that none of these organizations link their struggles with the struggle for livelihood and against globalization and
liberalization. The individuals and organisations who are fighting for any right, be it for literacy, for clean water, for a secular polity and so on - that they should address themselves to the issue of livelihood for all the people who constitute India. In doing so, they will not only succeed in putting their own struggles on the agenda, but will objectively contribute to the unity of all the peoples and their movements. It is within such a broad movement of the people that all the struggles can succeed. It is the living experience of the people that the ruling circles do everything to keep their struggles disunited and isolated and exert maximum pressure for them to conciliate with their victimizers. By creating conditions for the broad discussion of the effects of globalization on the people it will be possible to make them fight against the forces of globalization and liberalization and its chief proponents. We must impose our definition of what are the substantive problems of our times, the solution of which will enable the solution of all other problems.
9.1.4 Easy Access to Financial Resources

Specially the weaker section don't have the access to the financial institutions. The rural or the literate people shy approaching financial institutions and this is the case with the urban poor. The scene before liberalization was that there was not easy to access the financial institutions but after liberalization the scenario of access to financial resources changed. The Indian banking sector has acquired a greater degree of resilience due, inter alia, to the financial reforms implemented in a gradual and sequential manner within a participative process aimed at reduction in statutory preemptions, while stepping up prudential regulations and adopting international best practices taking into account the India-specific conditions at the same time.

An assessment of the banking sector performance shows that banks in India have experienced strong balance sheet growth in the post-reform period in an environment of operational flexibility. Improvement in the financial health of banks, reflected in significant improvement in capital adequacy and improved asset quality, is distinctly visible. These significant gains have been achieved even while renewing our goals of social banking viz, maintaining the wide reach of the banking system and directing credit towards important but disadvantaged sectors of society. Thus, financial inclusion has been an integral part of the overall economic thinking, though this emphasis has acquired enhanced visibility in the recent years.

The financial sector followed in India is aimed at providing access to formal banking to a large section of socially and economically excluded segment of population and improving its social/economic status.

The amounts involved are very small and spread over large geographical areas over large number of banks/financial institutions and do not involve any complex financial instruments. The evolving Indian paradigm for financial inclusion, though not having any statutory backing, embodies various novel ingredients enumerated above. Making affordable financial services available to the un/under-served has been the cornerstone of the evolution underlying institutional development, product and policy innovation in India. The Indian banking system is multilayered, comprising 82 scheduled commercial banks (SCBs), 92 regional rural banks (RRBs), 4 local area banks (LABs), 1,813 urban co-operative banks (UCBs) and 107,497 rural
co-operative credit institutions. The self-help-group bank linkage programme, adoption of Business Correspondent Model leveraging the post offices and setting up the Banking Codes and Standards Board of India (BCSBI) are illustrations of institutional creativity crafted to Indian conditions. The branch licensing policy followed by the RBI has an inclusive bias, while taking care of the viability aspects.

The involvement of the State Level Bankers’ Committee (SLBC), simplification of know-your-customer (KYC) norms, introduction of the Banking Ombudsman Scheme and no-frills accounts (number of such accounts, which was less than half a million in March-end 2006 and rose to 7 million a year later, jumped to about 13 million by the end of December 2007), and Financial Sector Plan for North Eastern Region are the manifestation of inclusive centric-policy initiatives.

Yet, only 27 per cent of farm households are indebted to formal sources (of which one-third also borrow from informal sources). Thus, there is a huge unfinished agenda. However, India has the advantage of suitable infrastructure (institutions, products and policies) for scaling up efforts for financial inclusion in a big way. The most effective catalyst for financial exclusion is economic development. Finance follows economics. Hence, there is a need for the financially excluded districts to catch up with the rest. Nevertheless, in a wider canvas, micro finance, micro insurance, new delivery channels, and credit counseling would have to be integrated. For better outcomes, there has to be joint and concerted efforts on the part of the Government, the formal financial sector, voluntary organizations and SHGs. More focused attention on various fronts is called for. There has been a measured streamlining of the banking architecture over the years, including refocusing the SCBs, consolidating RRBs and revamping the co-operatives. However, the LABs are not able to make significant headway in terms of redeeming their mandate. The Rangarajan Committee on Financial Inclusion has recommended that the RBI may consider revisiting the LABs, in view of their inherent potential for ushering in financial institution. Thus, any blueprint for restructuring LABs needs to mitigate their inherent weaknesses such as meagre capital, restrictions on geographical jurisdiction, etc. Recognizing the fact that only 27 per cent of the eligible rural farming population has access to the formal banking system, the RBI has instructed banks to open a no frills account with zero or very low minimum balance. This has
been one of the positive impacts of liberalization. Such a basic bank account should be supplemented by an account which has the potential for generating income, maybe linking up with SHGs. The role of SLBCs in furthering financial inclusion may be augmented by extending its coverage to all areas in a time bound manner. The scope of collaboration of public, private and non-profit organizations for designing and conducting the financial education programmes could be explored. Leveraging IT for scaling up has to be top priority.

A National Rural Financial Inclusion Plan (NRFIP) may be launched with a clear target to provide access to comprehensive financial services, including credit, to at least 50 per cent of financially excluded households, say, 55.77 million, by 2012 through rural/semi-urban branches of commercial banks and regional rural banks. The remaining households, with such shifts as may occur in the rural/urban population, have to be covered by 2015. The latest Budget has announced certain measures incorporating some of these suggestions. As regards supporting funding costs in the initial stages, the Rangarajan Committee recommended two funds with NABARD namely, the Financial Inclusion Promotion & Development Fund and the Financial Inclusion Technology Fund with an initial corpus of Rs 500 crore (Rs 5 billion) each to be contributed in equal proportion by the central government/RBI/NABARD (these funds have since been set up). The evolving paradigm for financial inclusion in India does not have any resemblance to the US sub-prime crisis and efforts directed to achieve financial inclusion India do not possess the adverse potential for jeopardising the Indian financial/banking system. On the contrary, financial inclusion will enhance the viability of the banking sector through a process of deepening.

Thus we can say that with liberalization, consumers belonging to the weaker section of society enjoy better access to financial institutions including the purchase of consumer durables for example: 0% car loan facility or facility of paying loans on easy installments. Earlier goods were not easily available to the weaker section of society. One had to press really hard to purchase the consumer goods. For example earlier if any body had to purchase a car they had to book it in advance (lead time used be very long) but with the reforms hitting the Indian economy such problems have been removed. But due to change in industrial policy automobiles are available in
plenty, Banks are forthcoming to help the consumers even if you don't have money. Thus we can say that with the changing reforms Indians are able to access the financial resources easily which were earlier not available. This has been with the effort of the Government and the other national and international financial institutions.
Negative impact of liberalization on the economy

The Economic Reforms launched in July 1991 in India were in nature of a crisis management response to the economic and political crises that erupted in early 1991. The economic crisis comprised a steep fall in the foreign exchange reserve, galloping inflation, large public and current account deficits and mounting Bretton Wood of domestic and foreign debt. In politics, the fall of two governments in a sort span of four months, from November 1990 to March 1991; deferment of presentation of the union budget, fairly long political interregnum till the elections, the assassination of a former prime minister Rajiv Gandhi in their midst and the emergence of a minority government with a leader sans charisma, reflected an unprecedented crisis. These events led to a sharp erosion of confidence in India among lenders, down gradation of India's credit rating and consequently cut off of international credit lines from private or commercial sources. Indian Reforms thus, were essentially of a 'crisis driven' variety. They did not represent strategic choice with a vision of long term development of Indian people. There have been number of the negative impacts of liberalization on the Indian. Let's have a look at few of them at length.

9.2.1 Cultural invasion

India and its people are loosing their distinct cultural entity. Indians are known for simple living and high thinking are also influenced by glittering items made by MNC’s. Indians known for their simplicity are caught by the vicious circle of consumerism (especial mention can be made to TV, Modeling, fascinating shops adorned with expensive imported items etc and other irresistible items offered by MNC’s for example cosmetic, clothes, jewellery..) For example people are used to have Matha, Curd and Milk. As far as simple standard is concerned we find people still wearing lungi and chappal and carrying themselves with pride. With the opening of the economy to the world we find that this trend has changed and people have started adopting the western style thereby bringing a shift from lungi’s to trousers and denims. Now it is a very common scene that an elderly couple wearing denims and moving in the market places.
Earlier the ladies of the houses did not even know the meaning of a skirt or denim but now with new reforms trends have changed. Earlier it was a very common scene to see that women used to be draped in saris and used to live as per Indian standards. Even grannies in India have started wearing western outfits due to the new wave of globalization and liberalization which has brought some demerits along with various benefits.

As far the simple living of the Indians is concerned Indian people were not even aware of the items that western culture brought itself. For example TV, Fridge, DVD, Music Systems, Mobile phones etc.. With the advent of these items there was a wave of change in the living standard of the Indians. Now it has become a two way traffic that means that Indians are also giving something to the world. For example Indians have adopted the western style of living. As mentioned above earlier Indians did not even know what were the various modes of entertainment but seeing the west the Indians also got into the same color.

India is still recognized as agrarian economy which got freedom in 1947 with the efforts of Mahatma Gandhi and other freedom fighters. Gone are the days when we people used to wear Khadi and work with Charka. Handicrafts are no more to be seen because these goods have become cheaper and the demand of such goods has been replaced by the machine made goods. With the industrialization and advent of machinery the demand for machine made goods has increased. Such industrialization has adversely affected the Small Scale Industry and the cottage industry which still serves a livelihood to a large number of rural public.

It is observed that the recent development has helped Indians to move for better but simultaneously some adverse effects have also been noticed. For example ladies of modern India have engrossed themselves in late night parties and have become more common in the kitty circuit of women. Earlier for the entertainment Indian used to listen to live musical instruments like Sitar, Harmonium etc., but now these instruments are hardly seen anywhere. Their place has been replaced with hi-fi musical instruments and it seems that people enjoy more.

Another good example of cultural invasion can been seen in the recent IPL match that was held. IPL Cheer leaders( an enthusiastic and vocal support) made huge rounds among the Indian newspaper and were a huge attraction among the cricket fans in the stadium. People were more interested in half nude females rather than cricket.
Seeing the western culture, females are adopting their lifestyle and don’t mind even doing things which were not a part of the Indian Culture. In order to become self independent they are following the path of western culture.

Another example that can be quoted as the negative impact of liberalization in invading the Indian culture is the example of Bar girls of Mumbai. This prostitution business has become a source of entertainment for so many girls. As the western culture is hitting hard on the Indian economy it has also given birth to such profession. The western culture has compelled to adopt materialistic approach. Materialistic approach has replaced value based approach and it is the need of the hour because everybody is trying to be a specialized professional. Also it is true that none can afford to survive without specialization.
9.2.2 Capital Outflows

Though India has comfortable reserves exchanges on account of increase remittance from abroad, it will be difficult to stop capital outflows by MNC's. Normally MNC's produce elite items which carry high prices along with high margins of profit earnings. Whereas Indian MNC's are few therefore the capital that inflows are due to profit earnings. Indian MNC's are of very low degree in comparison to capital outflows. The primary challenge for the world, and for India, still remains the elimination of poverty and a radical improvement in the living standards of people in the developing world, as the minimal the first step.

Indian industries are poised to be wiped out by unfair trade practices being adopted by the Multinational Corporations (MNCs). They are taking advantage of their deep pockets rendering Indian companies to incur huge losses to drive them out of business. In the aftermath liberalization and globalization of economy competition has increased leading to increase in the number of the foreign products available resulting in reduction of prices. There are instances in India, where MNCs have put their prices down to make the business of others down. If it is analyzed, it is nothing but a predatory pricing policy being adopted by these companies to make the Indian industry sick, so that MNCs can buy them. With foreign competition really hotting up and engulfing Indian industry, clearly a Governing body is required urgently for protecting Indian Companies free from fierce competition with MNCs.

Capital Outflows is also taking in the form of foreign remittances. Because of the various reasons Indian industries have become sick industries. Profit earning of the Indian industries is much less as compared to MNCs. A huge amount of remittances are being made from India to abroad. The early 1990s saw a surge in exports, a significant rise in FDI and other capital flows including portfolio capital from FII and a substantial increase in 'private transfers' under the category of 'invisibles' in balance of payment account. In 17 years 1991-2007, over 42 billion dollars of foreign investment flowed. Of this 18 billion dollars was direct investment that is an average of 2.2 billion a year.

The private transfers which averaged 2 or 3 billion dollars in the 1980's mainly the remittances of Indians employed abroad—grew to a level of 10-12 billion dollars in the latter of 1990's.
As per The Reserve Bank Of India(RBI), all indicators suggest that improvement in the balance of payment is driven by fundamentals which brighten the near-term outlook in the external sector. Also, it should be noted that the strengthening of balance of payments has taken place at a time of doubling of international oil prices. What is more significant for the economy as whole is the growth of current receipts, especially 'invisibles' which comprise private transfers (remittances from NRI's and software earnings).

The RBI is not in favour of encouraging capital outflows, to combat surging inflows, as it could have the adverse effect of attracting further inflows. While encouraging some outflows, such as liberalizing overseas investment by Indian corporate, is helpful, it would have to be supplemented with other measures to manage capital inflows. The eleventh five-year plan, as approved by the National Development Council on December 19, 2007, had observed that external commercial borrowings and other short-term flows were areas where an element of control to moderate sudden surge could be introduced. However, the Plan had also outlined the need to make capital flows less attractive or alternative ways of managing inflows that did not require costly sterilisation in order to limit the cost of sterilising of large growth in reserves.

However, the Plan had also outlined the need to make capital flows less attractive or alternative ways of managing inflows that did not require costly sterilisation in order to limit the cost of sterilising of large growth in reserves.
9.2.3 Brain Drain of the Human Resource

Can we ever imagine a country without engineers, scientists, doctors and other professionals? That is exactly what is happening in India. US and UK Corporations have caused the ultimate brain drain in India. Most of the talented students are running after dollar driven outsourcing work from the US or UK, working and learning IT and/or call center work. It is estimated 78% of Indian engineers from mechanical, Electrical, Electronics, Civil, Instrumentation, Chemical and Biomedical engineering leave their field after graduation and work for BPO companies like TCS, Wipro etc. If this is not brain drain then what is? Brain drain represents the defacto transfer of resources spent on imparting education and nurturing technical skills of the drained brain in question by the parent country (DCs) to the country of the transfer.

In the meantime India is facing acute shortage of talents in the fields of science, engineering and technology. On the other hand the US and UK engineers work on their own technical field and they shift the dirty but talent-needed IT work to countries like India. India faces shortage of people for high-end industrial work that is based on research and development.

Lately, the government of India has tried to concentrate on HRD which is evident with the establishment of technical universities like IIT's, IIMs, medical colleges etc. that are giving quality education and producing hard core professionals by providing them handsome salaries and training institutes. For enhancement of their skills and to earn more they leave India. As a result the cream moves out of the country.

After gaining knowledge and skills they should be serving their home country but instead of that they serve the foreign nations so ultimately the talent is being drained from here. We have the problem of both the internal as well as the external brain drain from the country. Apart from the internal brain drain, the key problem area is availability of fresh talent. While graduates of the top schools prefer either to go abroad or work for consumer goods or IT companies, a minuscule percentage join engineering companies only to be poached by multinationals after being trained by Indian firms.

The attrition rate in India has been increasing at an alarming rate and there can be causes which are responsible for it. These are (i) political factors (ii) work environment and career.
advancement, (iii) systems of higher education; and (iv) technology policies in relation to economic development. The relative importance of these factors varies from country to country over time and it is impossible to generalize.

Indian political oppression, violence and extensive violation of human rights are common occurrences. Discrimination in appointments promotion and travel are also common. In India clearance by security services is an essential qualification to securing academic or professional post. Cases are known where writers and artists are barred by security services from membership in national professional societies.

A significant major factor is the professional mile within which an individual has to operate. The political control of professional association, corruption and archaic attitudes and procedures often repeatedly discourage the young and aspiring reformer. Few developing countries have been able to evolve an effective professional and institutional associations capable of harnessing experiences from old wisdom and new energies. There is little doubt that the prevailing system of higher education in developed countries are considerably responsible for India the push forces. Many of the programmes and institutions responsible for much of professional technical and scientific manpower.

System of higher education in India

The systems of higher education are still not rooted in local problems issues and values. Quality and relevance have not yet become the criteria for educational planning and development. The weakness of both faculty research and graduate work contribute to the maintenance of the present system. Thus, the processes, adoption, innovation to generate more effective and appropriate teaching materials ideas and graduates are on a limited scale,

Another causes that causes the brain drain can be individuals own motives and the experience. Following can be the individuals motive for leaving the parent company

Economic and professional: a) suitable job b) income and living standard c) working conditions: facilities, autonomy, career prospects, relations with superiors and with co-workers. 2. Personal
influence: a) Spouse b) Feelings and interests of the children c) Family d) Friends e) Colleagues at work

3. Living conditions in society: a) where life is more interesting and more pleasant b) Discrimination by the public

4. Political situation: a) Government controls b) Nationalist feelings of respondent


Income, quality of jobs and number of jobs falling under working conditions favoured the developed countries. The material facilities for work, best library equipment, library space and office space also were great attractions as they met professional means. Developed countries seem better than home because of closer involvement in worldwide professional events, participation in professional meetings and access to journals. There is also a common belief that professionals in developing countries are burdened too much with administrative and other distractions which made very less attractive the quality of associates makes developed countries more attractive.

Motivation to return home is in large part is determined by pushes from developed countries. Over one-third of students from developing countries feel out of place abroad. Fewer are pushed in like manner from their home countries. Racial, religious and ethnic discrimination by populations of developed countries is reported by many foreign students. An important reason for emigration is a push from the distasteful Govt. at home. But politics is not a push for everyone; small numbers feel their duty is to return and work for improvement. The most powerful attractions of the home country are non-professional personal relations, When compared to students stay-ons seems to interpret each reason more strongly in favour of emigration and less strongly in favour of home. In case of returnees their responses were more or less the same to those of the students.

The influence of families and friends is a pull homewards and familiearity of life and discrimination are pushes against going or staying abroad. Unstable or dictatorial Govt. at home
are strong obstacles to return. Having acquired families and having given them experience of living abroad stay-ons report that family considerations influence emigration more than respondents at the student stage. For many reasons stay-ons are less favourable to the developed countries. In the case of returnees, the family exercises a greater influence whether to stay-on or go abroad again. Compared to the period of study, the effects of spouse and children are substantially in the direction of staying in the home country. Returnees who are employees in developed countries after study were more favourable towards home at the time of completing work and less favorable toward developed countries. Like the stay-ons, the returnees had become more favourable toward home and less favourable toward developed countries during the period of work abroad. They began with strong dispositions on behalf of home and their shift in motives were small.

Another reason that is responsible for the migration of the talent that there are no proper opportunities available for the professionals of the country. The packages that are offered by the Indian firms they are not at par with the ones that are being offered by the MNC’s. The environment in which the technocrats have to work

Thus above mentioned were few reasons of migration of talent from India to abroad.

The hype over the high rate of attrition (30 to 40 per cent) in the information technology industry has pushed into background similar problems being faced by India's old economy firms. All the goods and professionally trained professionals like engineers are no more interested in working in India.

For example, the capital goods industry, which employs more than 2 million people and where the average employment per crore of investment is over 50 times than that of a commodity-based industry, has been facing an attrition rate of over 30 per cent for several years now.

For every $30 million of engineering services that are provided by multinational centres in India, the country is deprived of assets worth over $1 billion, which would have been created if these engineers had worked on Indian projects. It is said that the cost of one engineering hour used being 10 times more in our country, the multinationals can easily pay double or triple of what their Indian counterparts can afford.
Another problem

The problem earlier was retrograde government policies, the problem now is talent shortage. The future war will be fought based on who's got the best talent. Our biggest challenge is to attract talent laterally and to retain our talent pool. Consider just how much this has hurt India. The share of manufacturing in India's GDP is 17 per cent compared to 50 per cent in China, 45 per cent in Korea and Malaysia and 40 per cent in Thailand.

The contribution of the various sectors is not that very attractive for example the information technology industry, which contributes only 4 per cent to India's GDP.

Apart from the internal brain drain, the key problem area is availability of fresh talent. While graduates of the top schools prefer either to go abroad or work for consumer goods or IT companies, a minuscule percentage join engineering companies only to be poached by multinationals after being trained by Indian firms.

Indian students and the technocrat are very easily available for the foreign nations and they are ready to serve them as the foreign countries offer many benefits that are not available in India. It is a very common scene in India that hardly any qualified and professional doctors are seen in the villages of India. Whereas the Indian doctors are very easily seen serving in countries like US, Gulf etc. Ultimately people who are trained and brought up in India are providing their services to the aliens rather than to their own homeland. In India there are strict immigration laws which restricts a lot of professionals from abroad to come to India and settle here. Whereas it is really very easy for the Indians to go out and work there as migration laws are not that strict. Once Indians show their skills and capabilities they are permitted to stay there and are finally given the nationalities of the country. These laws have become strict after the happening of 9/11 incident. But still the expert and the Indian professionals are welcomed with open arms across the world. Had the Indian Government provided the requisite for the Indian professionals there would'nt had had brain drain.
9.2.4 Improper utilization of resources

For all practical purposes India has become a laizze-fair economy which is guided by market mechanism. A private firm is always guided by profit motive without caring for conservation of resources that are too limited. The corporate structure aims at expanding the business with the motive of maximum profit/maximization of revenue, maximum growth, expanding the market.

The public and the private sector does not care for the scarcity of resources that leads to improper allocation of resources for example the best quality of rice is exported, Best quality of tea is exported. The best of all the products are exported. Indians are deprived of the products made up of local resources. Most of the MNC's are having sophisticated technologies use capital intensive techniques in order to bring down the cost of production and does not absorb Indian labour (which is not as qualified and trained as the others from other countries.). Technical who are qualified are absorbed by them and masses are left behind there by increasing employment in the country.

Because of the improper utilization of the resources it has given birth to income disparity in the country. Even though the economy has grown at an excellent rate, and poverty has been reduced by approximately 10%, one quarter of India's 1.05 billion people still live below the poverty line. The majority of the population "lives in villages with a population of less than 5,000" and is highly dependent on the agriculture sector. Additionally, the rapidly growing private sector firms are concentrated around Mumbai, Delhi, Bangalore, and Chennai. "In contrast large parts of India's most populous areas in the north and east ...are particularly poor and underdeveloped." When visiting several sites of major Indian and foreign firms, the juxtaposition of the shanty-towns outside the front gate of the development clearly illustrated this income disparity. If proper utilization of resources is not done then this income disparity gap will also increase the gap between the rich and the poor. The most critical problem facing India is its 25% poverty rate. The Indian government's tenth five year plan aimed to reduce this to 10%; to meet this, the economy must grow at an annual rate of 11% for the next ten years. The SME sector has the greatest chance of making an impact on the entire economy. While not a simple task and not the only areas in need of reform, improving the country's capital markets and infrastructure will help the domestic market flourish and lessen income disparity. It is to
observed that the sufferings of the poor and masses continue from abject poverty. Poverty is still a major curse in the development of the Indian economy. One of the main causes of poverty is that people are still unemployed or there is landless labour. Economic reforms may have given a boost to industrial productivity and brought in foreign investment in capital intensive areas. But the boom has not created jobs. This was not unexpected. According to a report by the Washington-based Institute of Policy Studies (IPS), the combined sales of the world's top 200 MNCs is now greater than the combined GDP of all but the world's nine largest national economies. Yet, the total direct employment generated by these multinationals is a mere 18.8 millions -one-hundredth of one per cent of the global workforce. India's Ninth Five-Year Plan projects generation of 54 million new jobs during the Plan period (1997-2002). But performance has always fallen short of target in the past, and few believe that the current Plan will be able to meet its target. India's labour force is growing at a rate of 2.5 per cent annually, but employment is growing at only 2.3 per cent. Thus, the country is faced with the challenge of not only absorbing new entrants to the job market (estimated at seven million people every year), but also clearing the backlog. Sixty per cent of India's workforce is self-employed, many of whom remain very poor. Nearly 30 per cent are casual workers (i.e. they work only when they are able to get jobs and remain unpaid for the rest of the days). Only about 10 per cent are regular employees, of which two-fifths are employed by the public sector. More than 90 per cent of the labour force is employed in the "unorganized sector", i.e. sectors which don't provide with the social security and other benefits of employment in the "organized sector." In the rural areas, agricultural workers form the bulk of the unorganized sector. In urban India, contract and sub-contract as well as migratory agricultural labourers make up most of the unorganized labour force. Unorganized sector is made up of jobs in which the Minimum Wage Act is either not, or only marginally, implemented. The absence of unions in the unorganized sector does not provide any opportunity for collective bargaining. Over 70 per cent of the labour force in all sector combined (organized and unorganized) is either illiterate or educated below the primary level. If the economy maintains an annual growth of 9-10 per cent, it would be just sufficient to absorb the new additions to the labour force. If the economy could grow at around 10 per cent per annum during the Plan period, the incidence of open unemployment could be brought down by two million persons, thus attaining nearly full employment by the end of the Plan period, according to the Plan.
Following chart gives us a view of the absorption of Indian labour in various sectors

**Sector-wise absorption of labour**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Absorption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>62 per cent</td>
</tr>
<tr>
<td>Manufacturing &amp; construction</td>
<td>16 per cent</td>
</tr>
<tr>
<td>Services</td>
<td>10 per cent</td>
</tr>
<tr>
<td>Sundry / miscellaneous jobs</td>
<td>12 per cent</td>
</tr>
</tbody>
</table>

**Table 1 : Age structure of population: 1999-2005**

<table>
<thead>
<tr>
<th>Age-group</th>
<th>1999</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 14</td>
<td>37.23%</td>
<td>33.59%</td>
</tr>
<tr>
<td>15 - 59</td>
<td>56.07%</td>
<td>59.41%</td>
</tr>
<tr>
<td>60+</td>
<td>6.70%</td>
<td>63.11%</td>
</tr>
</tbody>
</table>

The following chart shows GDP growth percentage and the work opportunities

**Table : Projections of Work opportunities 1999-2005**

<table>
<thead>
<tr>
<th>Sector</th>
<th>GDP Growth (%)</th>
<th>Work (Million)</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1999-05</td>
<td>1999</td>
<td>2005</td>
</tr>
<tr>
<td>Agriculture</td>
<td>3.9</td>
<td>238.32</td>
<td>262.48</td>
</tr>
<tr>
<td>Mining &amp; Quarrying</td>
<td>7.2</td>
<td>2.87</td>
<td>3.54</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8.2</td>
<td>43.56</td>
<td>48.22</td>
</tr>
<tr>
<td>Electricity</td>
<td>9.3</td>
<td>1.54</td>
<td>1.93</td>
</tr>
<tr>
<td>Construction</td>
<td>4.9</td>
<td>14.74</td>
<td>17.03</td>
</tr>
<tr>
<td>Wholesale &amp; Retail Trade</td>
<td>6.7</td>
<td>34.78</td>
<td>41.67</td>
</tr>
</tbody>
</table>
Unemployment can be removed by raising level of investment in the Indian Economy and
accelerating the process of industrialization planning should also be employment oriented. Over
and above without controlling the population the unemployment will continue.

The key to job guarantee legislation lies in the world guarantee India abounds in scheme for the
poor- all two often instruments for the state to display its munificence whenever political
expediency demands it. The disparities of income can only be removed where there is proper
utilization of resources and proper programmers are initiated by the government

Unemployment in India is characterized by chronic underemployment or disguised
unemployment. Government schemes that target eradication of both poverty and unemployment,
attempt to solve the problem, by providing financial assistance for setting up businesses, skill
honoring, setting up public sector enterprises, reservations in governments, etc. The decreased role
of the public sector after liberalization has further underlined the need for focusing on better
education and has also put political pressure on further reforms.
9.2.5 War among Unequal

Competition means the survival of the fittest. The one who can perform will stay rest will perish due to the opening of the Indian to the rest of the world. There has hardly remain any difference between domestic and foreign trade. Foreign products are a common sight or easily available in cities. Indian firms having an absolute technology are unable to compete with their counterparts.

The best example is of China. China has obtained an expertise in producing goods at a minimal cost. China's joining of the World Trade Organisation (WTO) was seen as a way to open its economy to further international trade and to force China to play within the rules. One common measure are "anti-dumping" actions, where businesses in (say) America can allege a country (say) China is dumping goods at well below "fair" cost, thus causing damage to those local businesses that cannot compete. Such measures have a place but are often abused for protectionist reasons. Typically anti-dumping actions are brought against very low cost producers who can sell at a far cheaper rate than local competitors can match. If the case if found proved special tariffs are applied to level out the playing field. More often than not the low cost producer is a country such as China.

Post-liberalization, the Indian private sector, which was usually run by oligopolies of old family firms and required political connections to prosper was faced with foreign competition, including the threat of cheaper Chinese imports. It has since handled the change by squeezing costs, revamping management, focusing on designing new products and relying on low labour costs and technology.

The recent economic developments have mainly helped upper and middle class Indians. India still has some poverty: 34.7% of India's poorest population (the population that lives on 3/4 of the poverty line or less) still live on less than US$1 a day and 79.9% live on US$2 per day. The National sample survey organisation (NSSO) estimated that 26.1% of the population was living below the poverty line in 1999–2000, down from 51.3% in 1977–1978. The criterion used was monthly consumption of goods below Rs. 211.30 for rural areas and Rs. 454.11 for urban areas. 75% of the poor are in rural areas (27.1% of the total rural population) with most of them comprising daily wagers, self-employed households and landless labourers. The major causes for
poverty are unemployment or under-employment, low ownership of assets (especially productive assets like land and farm equipment) and illiteracy. Thus from above discussion it is very apparent that though Liberalisation has some positive impacts but simultaneously it is also harming the Indian economy in more than one way.