AN ANALYSIS OF GLOBALISATION AND INEQUALITIES IN INDIAN ECONOMY

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ABSTRACT

In light of those original States, the research sought to investigate the variations as well as the movement throughout the administrative divisions known as the States of the Indian Union, in the degrees of development over time. Thanks to Nehru's sensibilities and his politics of agreement for a peaceful socio-economic revolution intended to create a Socialistic Pattern of Society, independent India, as is well known, chose the Mixed Economy Model. The stated goal of "growth with justice" was stated in a way that also addressed the spatial gap. To find any potential gaps, a review of the research done to date on the issue of inter-State disparities in the Indian context was conducted. The review of the literature found that: studies were mostly limited to looking at inter-Stat differences in income distribution (PC NSDP) between States; studies that attempted to analyze inter-State differences in State development experiences by creating composite indices of development, always used a combination of input and output variables to capture development; and the year 2008 served as the investigation's endpoint. Therefore, the current study may be seen as an effort to broaden the body of research on inter-State differences in India.

KEYWORD: Globalization, Inequalities, Economy, Sectoral, Regression

INTRODUCTION

The study made use of the three main measures of disparity. These were the standard deviation of the natural logarithm values of PC NSDP/development constructs, the coefficient of variance (CV) and the Gini coefficient. Also, the convergence analysis was carried out for each of the development indices. Besides examining the absolute convergence, the development experience of the states has been also analyzed for conditional convergence. Since the integration of spatial dependence of States in the convergence analysis did not significantly alter the results from the conventional convergence analysis, the spatial dependence was not examined in the development experiences of the States and hence was not introduced to the convergeence analysis therein. In each case, the stepwise regression analysis narrowed down the development analysis to variables that best explained/ summarized the development experiences of the States. The main findings of the study, both at the sectoral as well as the aggregative levels are as follows. But, before turning to these results we are inclined to report the results obtained for customary index of development- the PC NSDP.

1. The gap between the poorest and the richest States increased by 3.4 times during the period 1971-2008. The State of Bihar remained the poorest State since 1971 and Punjab held the richest State status until Maharashtra outshined her in 1995-1996. The richest four States of Punjab, Maharashtra, Haryana and Gujarat and the poorest three States of Bihar, Orissa and Uttar Pradesh retained their respective polar status throughout 1971-2008.

2. The inter-State income disparities showed an increase since 1971, irrespective of the measure used for estimating disparities. A more pronounced increase in disparities was observed for the post reforms period. While the absolute convergence was evident upto year 1971 the latter period showed opposite tendencies.

3. Though a negative association was observed between the growth of PC NSDP during the period 1971-2008 and their respective initial (1971) PC NSDP values, the insignificant 'W estimate for this period did not support the absolute convergence hypothesis.

4. In the intermediate sub-periods of 1971-2008, absolute convergence, on 1971 base, was found to be significant for the period 1971-1976. However, the rate of convergence started declining since 1981. Thus, the period since 1981 seems to have added more to divergence than to convergence. A sharp fall in the convergence rate during the period 1989-1991 had greater relevance to explain the break in the trend rate of growth in PC NSDP. The

change in sign of the *'W* estimate from negative to positive in the subsequent period 1991-
1996 suggested that the initial years of 1990s set in the possibilities for divergence. The positive estimate of *'W*
was however statistically insignificant and hence divergence was also not confirmed.

5. An interesting pattern of economic performance was depicted by Moran's I values on spatial autocorrelation.
The estimates revealed formation of clusters with rich States having rich neighbours and the poor States having
poor neighbours. This pattern was not observed on either of the estimates on 1971, 1981 and 1991 values. This
indicated dispersion of economic activities that seems to have broken the clustering of States in the latter periods.
However, this dispersion was also not found to be statistically significant. Taken as a whole, no definite trend for
convergence or otherwise can be read for the post reforms period. Consequently, the study does not support the
fears of any accerlation in the inter-State economic divide for the post reforms period. Having reported the results
on the conventional lines, we now turn to our findings flowing from our exercise in PCA/FA. Coming to the
sectoral levels first, further agricultural sector it was found that:

1. The gap between the agricultural development levels attained by Punjab (the best performer in 1971) and that
of Himachal Pradesh (the worst performance for the same year) increased by 33 per cent over the period 1971-
2008. The agricultural status of Punjab was found to be approximately four times better than that of Himachal
Pradesh in 2008. Punjab took the lead in 1970s itself, while Himachal Pradesh lagged in this regard. Consequently,
the gap in their levels of agricultural development substantially increased during 1971-1981. However, it remained
more or less constant there-after. Punjab and Haryana have been the top two States and retained their respective
positions all through 1971-2008.

2. Also, Punjab is the only State that recorded a high growth rate (18.11 per cent) over the years during the period
1971- 2008. It is followed by West Bengal and Uttar Pradesh with 9. 73 per cent and 5.68 per cent growth
respectively. The States that registered maximum decline in their Agriculture Development Index (ADI) in the
same period are Maharashtra, Gujarat, Tamil Nadu and Himachal Pradesh;

3. The inter-State disparities in agricultural development of the States, measured in terms of Coefficient of
Variance (CV), increased from 29.72 per cent in 1971 to 36.26 per cent in 2008. Most of this increase was noticed
for the initial period 1971-1981. The regular increase in the Standard Deviation of natural logarithm index values
(SD of In ADI values) during 1971-2001 did not suggest absolute convergence, instead it indicated divergence in
the levels of agricultural development of States;

4. A positive association between the change (increase) in levels of agricultural development of States during the
period 1971-2008 and their respective initial (1971) values suggested absolute ~-divergence. However, the
insignificant *'W* estimate did not statistically supported divergence;

5. The possibility of divergence in the agricultural development standards of the States got strengthened when the
initial (1971) PC NSDP values were controlled in the conditional convergence analysis. This confirmed
divergence with 90 per cent significance level attached to the *'W* estimate;

6. The extent of tractorization emerged as the most significant variable when it came to summarizing the levels
of agricultural development of States during the period 1971-2008.
The extent of industrialization, when measured in terms of total inputs to industries or in terms of the net value
addition (NVA) by industries appeared to be very high for Maharashtra, Gujarat and Tamil Nadu. That is in line
with the popular perception that these States were the most industrialized States
of India. This approach, no doubt, takes into account the extent of industrialization but it ignores other important
aspects viz., type/scale of industrialization, location of industries, health and safety conditions of the workers,
wage differentials among the wage workers and other employees and the efficiency in the use of industrial inputs.
For want of comparable data for taking cognizance of these aspects, a composite measure of net value addition
per unit of industrial input was used.

SUGGESTIONS FROM THE STUDY:

We can infer some policy implications from this study by using the lessons we've learned from the growth histories
of three sectors and several states. First, on the path to development, we see that the advantages of an early start
persist for an increasing amount of time. The Green Revolution's leading states, Punjab and Haryana, have
continued to lead the way in agricultural growth. There is little question that producers of agricultural output are
now more competitive as a result of globalization. Undoubtedly, there are now more agricultural differences

between developed and less developed states; however, some of this can be explained by the fact that ten developed states, including Uttar Pradesh, have seen their agricultural development drop. Therefore, the agricultural development of underdeveloped regions ought to be the primary priority of our agricultural policy makers. Some states have seen their markets open up as a result of the march towards globalization, and Bihar is one of those states that has capitalized mostly in the industrial sector. This is primarily ascribed to globalization and new economic reforms, as Bihar experienced the majority of its rank rise after 1991. There is a gloomy side to the situation in Andhra Pradesh and Jammu & Kashmir. These two states' poor performance could be attributed to terrorism-related internal unrest. In order to improve the business climate and attract foreign direct investment (FDI), the government must thus refocus its policies on these two states. Doing so will aid in the reduction of regional imbalances.

CONCLUSION

This study acknowledges and accepts the inherent natural diversity as well as the historically evolved disparities across Indian States existing during the period 1971-2008. Given that initial States, the study aimed at exploring the differences, as also the movement therein, in the levels of development over time across the administrative divisions called States of the Indian Union. As is well known, independent India opted for the Mixed Economy Model, thanks to Nehru's sensitivities and his politics of consensus for a peaceful socio-economic transformation aimed at creating a Socialistic Pattern of Society. The declared objective of 'growth with justice' was articulated to address spatial divide as well. Thus, the study, in the main, probed the issue that how India fared in achieving that objective and how the State outlays influenced the pattern of regional disparities. Not only the levels of disparities in development computed at five points of time but also the trajectories of growth/development of various States were generated for examining the issues related to convergence. And, since the premarket economic policy shift adopted in 1991-1992 was expected to un-leash India's growth potential, the study also endeavored to estimate the incidence and pattern of inter-State disparities in the new economic policy regime. A review of the studies undertaken so far to examine the problem of inter-State disparities in the Indian context was undertaken for identifying the possible gaps if any. The survey of literature revealed that: studies were largely confined to examining the inter-State disparities in the distribution of incomes (PC NSDP) across States; studies that made an attempt to analyze inter-State disparities in the development experiences of States by constructing composite indices of development, invariably, deployed a mix of input and output variables for capturing development; the year 2008 formed the terminal point of the investigation. Thus, the present study could be considered an attempt to add to the pool of studies on inter-State disparities in India through.

• A varied conceptual content: The study embraces the input approach to development. It was acknowledged that the determinants of development themselves can also be considered as reflections of development, thus the variables that had a direct bearing on availability of opportunities, appropriate knowledge of the available options and accessibility to the opportunities have been considered as inputs for furthering the process of development.

• A more exacting methodology: The problem of inter-State disparities has been studied both for the income levels and the development experiences of States. The per capita net state domestic product at constant (1993-94) prices has been used in our analysis of the problem of income imbalances.

• Besides measuring the levels of income inequalities at five points of time during the period 1971-2008 and analysing the trend therein, the study examined the PC NSDP data series for absolute sigma (a) and beta (~) convergence.

• The notion of spatial dependence of States has also been examined through spatial autocorrelation (spatial error and spatial lag models). The same had been introduced in the convergence analysis for examining the implications of spatial dependence for convergence.

• Unlike most of the studies that rely on PCA for constructing composite development indices, we subjected the dataset to Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and the Bartlett's Test of Sphericity for factor analysis before undertaking computational exercise. Accordingly, the study computed three sectoral level development indices namely agriculture development index (ADI), Industrial Development Index (IDI) and Institutional Infrastructure Index (INII). These three indices were put together to compute an overall Composite Index of Development (CID). The three dimensions of development that complimented each other took account of multi-dimensional character of the development process. The study made use of the three main measures of disparity. These were the standard deviation of the natural logarithm values of PC NSDP/development constructs, the coefficient of variance (CV) and the Gini coefficient. Also, the convergence analysis was carried out for each

of the development indices. Besides examining the absolute convergence, the development experience of the states has been also analyzed for conditional convergence. Since the integration of spatial dependence of States in the convergence analysis did not significantly alter the results from the conventional convergence analysis, the spatial dependence was not examined in the development experiences of the States and hence was not introduced to the convergence analysis therein. In each case, the stepwise regression analysis narrowed down the development analysis to variables that best explained/ summarized the development experiences of the States.

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