



Impact of Economic Reforms on Rapid Growth in Incomes and Productive Employment

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Abstract: The research article has focused on Economic Reforms of different countries, which include various macroeconomic policies for accelerating the liberalisation process of international as well as domestic trade within a country. A mixed data collection process has been conducted in this research article to identify trend of economic development through economic reform in various countries along with the way under which international agencies are involved with the economic reform process of developing countries. Reduction of tax burden from companies, technical changes in agricultural sector, is the major aspect of economic reforms. This has helps business organisations to increase income level and scope for better employment. Requirement of technical changes and technically skilled labour has increased in companies due to economic development policies taken by government based in Industrialisation 4.0.

Keywords: 4rth Industrial Revolution, Economic Reforms, EU countries, non-EU countries, Producer's support in Agriculture, IMF, World Bank

INTRODUCTION

Economic reforms refer to a radical change process that took place in order to increase the living standard of people within a country, for improving wellbeing and to be able to resist any kind of socio-economic shocks and to provide long-term solutions to it. Within a developing country due to lack of funds, these economic reforms are being initiated by the World Bank and International Monetary Fund (IMF), two international agencies (IGI Global, 2021). These two international agencies and others initiate these economic reform programs within developing countries like India, in order to liberate the overall economic condition of these countries. Economic reforms with the help of International agencies help developing countries to transform their economic environment from a "state" activity to a "Private" activity. Economic reforms include various macroeconomic policies, which accelerate the liberalisation process of international as well as domestic trade within a country (IGI Global, 2021). It also includes liberalisation of agricultural prices, marketing sectors, removing agricultural subsidies, reduction of trade tariffs, trade barriers, and liberalisation of overall exchange rates along with financial sectors in terms of interest rates.

As per Latest news, it has been stated by Union Finance Minister of India Nirmala Sitaraman that, Joe Biden Administration has accepted strategic economic reforms of India along with various leaders from corporate sectors of US. Nirmala Sitharaman has stated that, the reforms that India has taken in terms of withdrawal of retrospective taxes; is considered as a positive step according to the Biden administration in U.S. She has recently attended the annual meeting of IMF and World Bank and said that this has been introduced as a

productive decision to those; with whom India is going to do business in international market (Times of India. Indiatimes, 2021).

As per various reports, it has been observed that Rise in non-EU migration facilitated by government policies, has become a major aspect for UK economy; as it indicates free trade and reduction in trade barriers. However, the UK government; which ended free movement in the UK and transferred it to an “Australian Style” pointing system has established a new economic policy. As per this system, EU and non-EU countries will be treated as similar; which will intend to include very limited provisions to the UK-EU trade agreement based on labour mobility. This new system as a part of UK economic reforms will represent a significant tightening on the overall control on EU migration process; with compared to free movements (Voxeu, 2021). Migrants who come to UK with lower skill will no longer be allowed for entry. This will be an effective aspect of UK government, in terms of labour mobility for various employers from different sectors. Moreover, a few years ago, an effective economic reform within Britain was privatisation policy; which slowly swept around the global labour market year by year (Independent, 2013). However, in terms of economic reforms in UK after Brexit immigration is an essential political issue within this country; which has a huge effect on the overall labour mobility system (Voxeu, 2021). As a result, this research article will further discuss many other country’s international economic reform policies and changes; which might have greater influence over their productivity and income both, at a large aspect.

Moreover, when talking about India, a developing country, it can be stated that July 2021, is marked as the 30th anniversary of Indian Economic Reforms that has taken place. In 1991, when the great Indian Economic Reform took place, it was considered as a historic step of post-independent India. During that period, India was going through a severe Economic crisis. In order to cope with this situation, India has developed an industrial policy to boost up its productivity, employment rate and Finance Minister Dr. Manmohan Singh has generated a budget, which has balanced the payment problems and structural rigidity (The Hindu business line, 2021). Now, India has become a country, which can take bold decisions like withdrawal of the retrospective tax and comprehensive trade agreements with countries like U.S, which is a biggest success for Indian economy as a whole.

As a result, this research article will further study YouTube economic reforms and its overall effect on the productivity as well as employment of various countries whether it is developed or developing withdrawal additional sources. The main problem relies on the fact that, after COVID-19 unemployment rate has decreased drastically within the global market, which is a major reason behind decline in labour market (Statista, 2021). This issue will be addressed in this research study for further investigation on the economic condition of various developed as well as developing countries.

Aim of this research is to identify effect of Economic Reforms in countries on its Income levels and Employment. Therefore, the research aims; To identify various Economic Reform Policy in Global countries, To Understand the effect of these Economic Reforms on income and productive employment, to recommend relevant strategies for accelerate new policies to improve income level and productive employment in countries. It the process of research it is good to question that What are the major Economic Reforms taken by various countries? What is the actual effect of these reforms on various countries in terms of income

level and productivity? And What are the strategies that the countries can rely upon for future growth?

Economic reforms have positive effect on overall financial as well as socio-economic aspects of countries or Support given by International agencies to developing countries for economic reforms are effective?

AIM, OBJECTIVE, QUESTION AND HYPOTHESIS

Aim of this research is to identify effect of Economic Reforms in countries on its Income levels and Employment.

Objectives

- To identify various Economic Reform Policy in Global countries
- To Understand the effect of these Economic Reforms on income and productive employment
- To recommend relevant strategies for accelerate new policies to improve income level and productive employment in countries

Questions

- What are the major Economic Reforms taken by various countries?
- What is the actual effect of these reforms on various countries in terms of income level and productivity
- What are the strategies that the countries can rely upon for future growth?

Hypotheses

- H1: Economic reforms have positive effect on overall financial as well as socio-economic aspects of countries
- H2: Support given by International agencies to developing countries for economic reforms are effective

REVIEW OF LITERATURE

After considering literature findings of Lele & Goswami (2017), it has been identified that Indian government has focused on various innovative network solutions; which are called “**Digital India**” initiatives taken for improving overall safety nets, productivity of workers along with improving the standard of life. It has been a challenging measure for India in order to turn the power of information and other various technologies to the farmer friendly technological revolution for almost 156 million rural households of India. This technical revolution was undertaken by India within their “Digital India” movement for generating reliable, up-to-date message contents for diverse agricultural sectors in order to help

various stratified households. This would be helpful for them to shift their occupation to a productive, knowledge intensive agricultural business.

In this initiative, government, private sectors and civil society have a huge role to accelerate the movement within the Indian agricultural sector for future growth. **“Digital Literacy Program”** is another aspect for Indian farmers in order to develop their skills and technical devices and the way under which they can use applications when even the digital devices are absent (Lele & Goswami, 2017). All of these technical changes initiated by the government of India through “Digital India” movements are a large part of the country’s Fourth Industrial Revolution aspects. Economic reforms initiative taken forward by India through government interventions generates advantages to its overall economic growth; as the speed of technical advancement has potential to conduct agricultural and urban growth in India; which leads to overall increase in per capita income along with productive employment in various sectors based on digital skills.

Indicators	2013-14	2014-15	2015-16	2016-17	2017-18*	2018-19*
Real GDP*	6.6	7.2	7.6	7.0	7.3	7.7
Consumer Price Index (CPI)	9.4	5.8	4.9	4.8	5.0	4.6
Wholesale Price Index (WPI)	6.0	2.0	-2.5	2.8	4.0	4.2
Fiscal Balance (% of GDP)	-6.7	-6.5	-7.2	-7.0	-6.7	-6.4
Current Account Balance (% of GDP)	-1.7	-1.3	-1.1	-0.8	-0.9	-0.9
Gross Fixed Capital Formation	3.4	4.9	3.9	0.4	4.3	7.3
Total Domestic Expenditure	2.0	6.9	8.0	5.4	7.5	7.9
Exports of Goods & Services, National Accounts Basis	7.8	1.7	-5.2	4.5	4.6	5.2
Imports of Goods & Services, National Accounts Basis	-8.2	0.8	-2.8	-2.3	5.4	6.3
Net Exports, Contribution to Growth of Real GDP	4.5	0.2	-0.5	1.5	-0.2	-0.2

Figure 1: Macroeconomic Indicators and Projections in India over the Years (% changes)

(Source: Siddiqui, 2018)

As per above figure, it has been observed that, percentage change in Indian real GDP, Consumer Price Index, Gross Fixed Capital Formation, and other macroeconomic indicators have improved significantly. This can be a major reason behind the industrialisation process, which occurred within this country as a major economic reform after 2015. Prior to the economic liberalisation process in India, domestic savings were mostly engaged in the private sectors of this country (Siddiqui, 2018). However, after the economic reform foreign capital and multinational companies are considered to be the source of hope for India in order to accelerate its productivity growth within the labour market.

Agricultural Developments and Technological Changes

As per various Reports, it has been found that during the Eurozone crisis, different countries of European Union have experienced different levels of economic vulnerability. This mainly occurred due to an uneven exposure of their banks to various debtor countries. After this crisis, European policy makers have agreed to a specific string of economic reforms that will

bring together fiscal and monetary cooperation within the Eurozone (Târlea *et al.* 2019). In order to fight a joint battle against this crisis, the EU has developed joint resources for Eurozone states during this crisis, which will be effective for a new treaty to force a government budget and measures to develop a banking union. As a result, EMU (Economic and Monetary Union) reforms were developed as a major economic development by the EU for Eurozone countries based on structural economic factors along with various political considerations. Development of EMU reforms mainly improved their domestic preferences such as financial market vulnerability, labour market vulnerability and others (Târlea *et al.* 2019). Apart from this, policies taken by government in terms of land reforms in Japan are another economic change that has significantly affected the overall productivity of farms along with the poverty reduction process.

Green revolution investments by the government, has a major effect on institutional and technological changes occurring within Japan's agricultural sectors (Mellor, 2017). Moreover, engaging public investment as a major economic policy for spurring economic transformation within this country was an effective step. Apart from this, physical infrastructure building accelerates the production growth in a rapid manner. Moreover, introduction of a micro-credit system within the economy is considered a larger step taken by various countries such as Europe, Western America, India and other with low or middle incomes, for increasing the rate of women's participation within agricultural as well as industrial sectors (Mellor, 2017). However, in Europe, process innovation theory includes displacement of workers; which helps them to identify the unit cost of production in an easier manner. Within a competitive market structure, this particular dynamic is effective to reduce the final price of a product; that increases its demand (Piva & Vivarelli, 2018). Due to increase in product demand, overall income acquired by various sectors from their products increased by a huge margin, and employment capacity of a country has also increased.

Literature Gap and Future Contribution

As per above discussion, it can be observed that all the literature findings have explained regarding economic reforms in India along with other European countries across this world. However, the trend of economic development through economic reform in various countries is not clearly discussed in these literatures. Moreover, how International agencies are involved with the economic reform process of developing countries is not mentioned in this literature's findings. As a result, further findings from secondary sources will be engaged in this research study to get into the depth of this particular topic and identify the role of International agencies such as World Bank and International Monetary Fund.

METHODOLOGY

This research study is considered pragmatism research philosophy and deductive research approach for analysing external phenomenon (Allmark & Machaczek, 2018). Under this research philosophy, a conductive manner is developed to go through various external events and knowledge to reach to a conclusion based on the hypothesis of this research. Moreover, deductive approach is used in this research study to investigate researches of other authors regarding the economic reforms topic based on a scientific manner (Tjora,

2018). According to Castleberry & Nolen (2018), a descriptive research design was adopted for this research article in order to structure area with the help of systematic phenomenon to understand the phenomenon of economic reforms of various countries based on their economic aspect.

Ethical consideration is maintained by taking articles from reliable sources, articles must be published within 10 years, and need to avoid bias effect in survey process. Privacy of participants needs to be maintained and all articles needs to be in English language. Apart from this, for survey analysis, Microsoft excel is used to show data with graphical presentation and thematic analysis process is adopted for secondary data interpretation.

ANALYSIS AND DISCUSSION

Economic Reforms Reduces the Tax Burden on Various Companies in Terms of their International Business Aspect

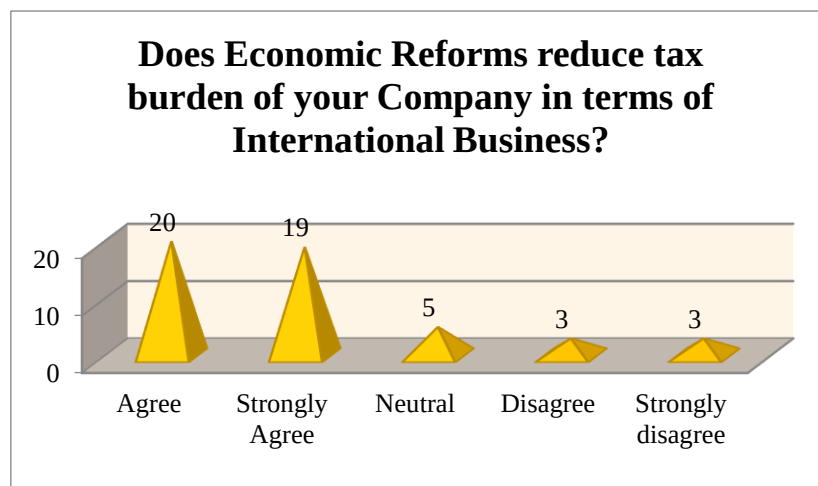


Figure 2: Users' disposition on Impact of Economic Reforms on Tax reduction

As per above figure, it has been found that, 39 participants of this survey out of 50, have agreed with the fact that Economic reform taken by Indian government has reduced the overall tax burden imposed on their company in terms of their international business such as import and export of goods as well as services. Almost 5 out of 50 have remained neutral in this matter and other 6 have disagreed with this statement.

Economic Reforms Increased the Overall Requirement of Technical Changes

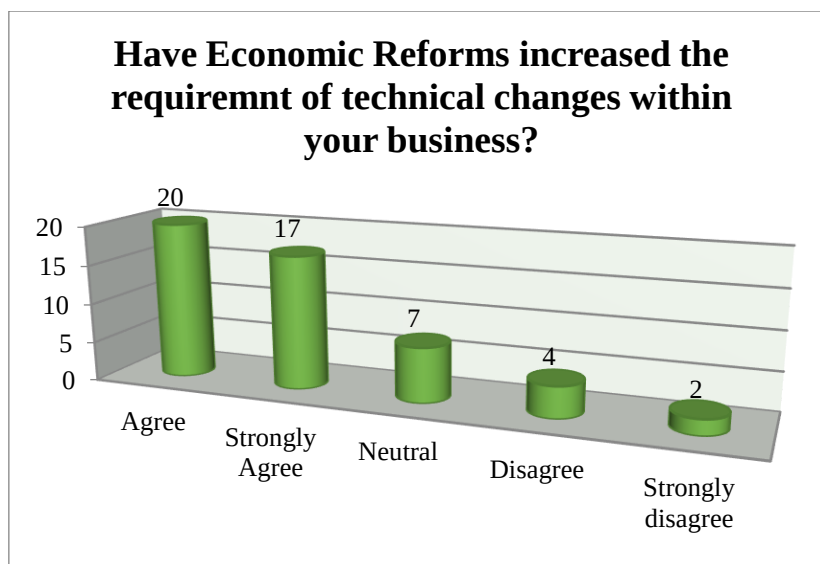


Figure 3: Imposition with Economic Reform on Technical Change in Business

As illustrated by the above figure, it can be stated that almost 37 people out of a total 50-sample size have agreed with the fact that, overall requirement of technical changes within various sectors of India and outside India have increased due to economic reforms. Approximately 7 out of 50 have remained neutral in this matter and a total of 6 participants have disagreed with this statement.

Digital Transformation as a Large Part of Economic Reforms within India have Increased the Necessity of Digitally Skilled Labour

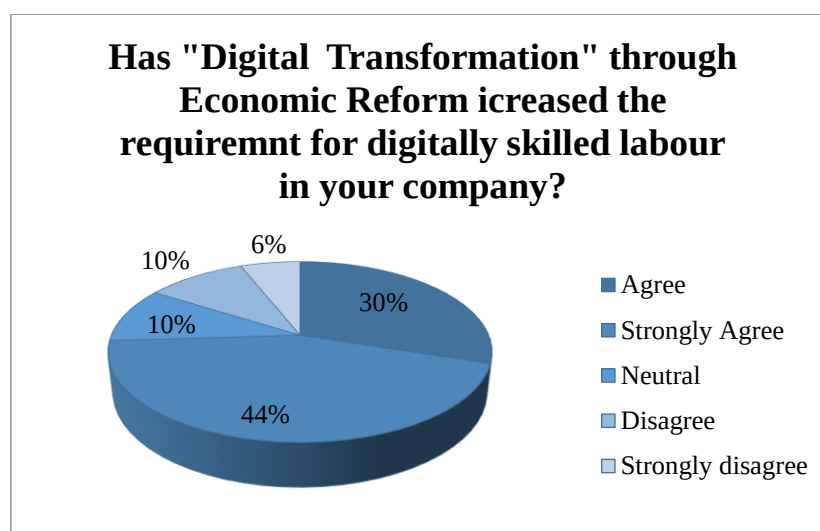


Figure 4: Digital transformation increased the skilled Labour

As observed in the above chart, it can be stated that 74% of the total sample size of this survey process have been agreed with the fact that Digital transformation, which is a major part of Economic Reform within various countries, has increased the overall requirement of digitally skilled workers in different sectors.

“Nuts and Bolts” Reforms of India have Make Overall Business Process of Various Companies Easier

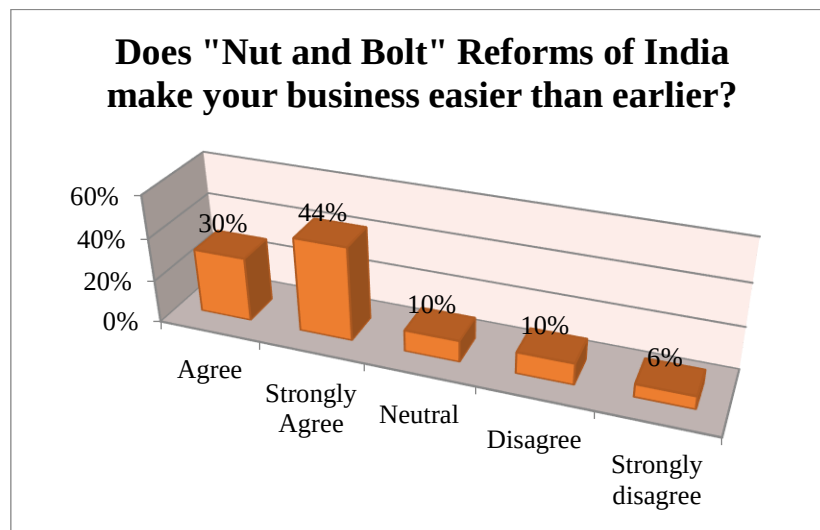


Figure 5: Impact of Nut and Bolts reforms of India

According to the above figure, it can be stated that most of the participants of this 50-sample size for this survey process, have agreed with the fact that “Nuts and Bolts” reforms of India have made the overall business process of various companies easier than ever. Rest of 10 % remained neutral and the other 16% disagreed.

Nut and Bolt Economic Reform have Made the Way of Business Process of India Less Restricted

As per various resources and news articles, it has been found that the current economic reform of India, which was initiated in the year 1991, is now in a “Nuts and bolts” form. This form is mainly designed to make the business process of India’s various sectors much easier. The new form of economic reform through two dynamics under the “Nuts and Bolts” concept includes deregulation of issues related to any specific sectors and the second is improving the pathways of doing business. Amendment to Taxation Law Act, Limited Liability Partnership Act 2008, Insolvency and Bankruptcy Code 2016 and various others have been a major aspect for doing business in an easier way (Economic times. Indiatimes, 2021). Under the amendment of Factoring Regulation Act, the threshold limit for NBFCs to engage into factoring business gets easier. Moreover, Structural change in Indian Information technology and business process outsourcing have generated its economic growth and employment scope within various sectors including agriculture (NBER, 2021).

International Agencies Supports Economic Reforms of Developing Countries

The International Bank for Reconstruction and Development (IBRD), which supports the World Bank’s objective to accelerate economic development through various reforms within developing countries, is a major aspect for future growth. IBRD helps low and middle-income countries to enhance their strategy within agricultural and industrial sectors for reducing poverty (World Bank, 2021). Moreover, IMF provides monetary support and policy advice to

various developing countries, in order to make their economy stable with the help of several economic reform activities such as technical advancement in agriculture (IMF, 20210).

EU is more Flexible than non-EU Countries as per Economic Reforms through Increasing Producer's Support to Agriculture

As per various data, it can be stated that increasing firm's expenditures on research and development process within EU countries along with producers' support in agriculture has been a major aspect for the to improve economic growth.

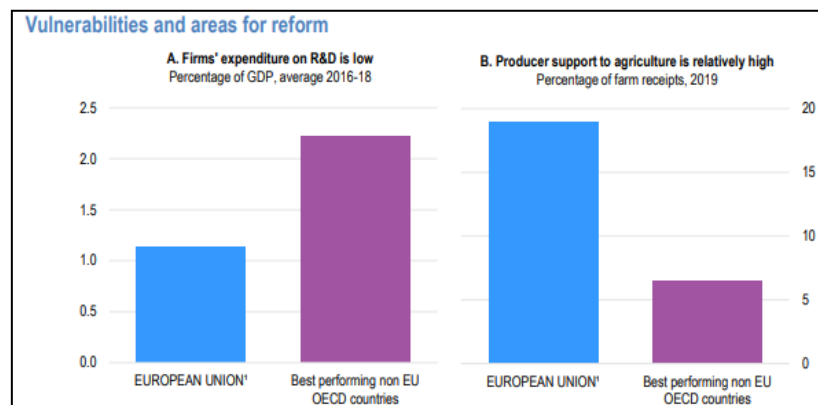


Figure 6: Comparing EU countries with Non-EU OECD Countries

(Source: OECD, 2021)

As per above figure, it can be stated that Firm's expenditure on R&D is lower in EU countries than non-EU countries. Moreover, Producer's support for agriculture is high in EU countries.

RESULT AND RECOMENDATIONS

As per above data analysis it has been found that due amendment in taxation act, along with recent reforms by the withdrawal of retrospective taxes; has reduced the tax burden of companies; which is supported by most of the participants of the survey process. As per the literature review section, it has been found that technical change through "digital India" movement in India and other countries is another major part of economic reform in order to increase productivity tends to increase the overall requirement of technical changes in various companies associated with agricultural work or any service related works. Moreover, this also tends to increase the requirement of technically skilled workers in labour market.

All of these have occurred within India and other countries due to the engagement of 4rth Industrial Revolution as a major part of economic development. Green revolution within Japan has accelerated the technical changes within their agricultural sectors; which have increased overall income and employment. The "Nuts and Bolts" concept within Indian economic reform has made the business easier and increased financial growth along with scope of employment with the help of IBRD and IMF.

The above analysis has stated that, Industrial Revolution within developed as well as developing countries is one of the major aspects of their economic reforms. Especially in India, it has been observed that the “Digital India” Program; as a part of 4th industrial revolution, has a significant effect over their entire agricultural sectors. This has effective potentiality to increase the overall income generated from Agricultural sectors in India. Moreover, engagement of “Digital Literacy Program” is another indication of economic reform through the fourth industrial revolution within this country to make the workers of labour market well educated in terms of technical skills. As a result, it can be suggested that engaging more investment within research and development in Information Technology sectors of Developed along with developing countries like India will be an essential factor for further development in gross income and employment prosperity.

Moreover, various international agencies, such as the World Bank and IMF have initiated to allocate funds to developing countries for their economic reform and make the path of their future growth without any barbs. Apart from this, it has been found that EU countries are more flexible within the economic reforms through indulging produce’s support in agriculture than non-EU countries. As a result, it can be suggested to non-EU countries for developing a proper structural framework to engage more producers for supporting the agricultural sectors by a greater extent. In conclusion, it can be stated that focusing on technical changes as well as agricultural structuring along with tax amendments are the major aspects of Economic reforms; which helps business organisations to increase income level and scope for better employment.

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