



Impact of Economy Reforms on Environment

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Abstract :

India is a country whose government committed to the goals of economic growth to achieve a better welfare for its population. However, the foregoing leads to a high level of pollution because of the use of fossile fuels in a more than 70% of the times to try to reach to supply electrical energy. The projected figures shows that India is at an initial stage of economic growth according to the level indicated by the Kutzencz curve. That means India must pay a high social cost, the contamination. This paper focuses on impact of economic growth on the environment.

Keywords : economic growth, environment, development

Introduction :

India is developing country. Today, India is one of the countries with the major presence in the environment news across the world. Their levels of pollution achieved in some cities put it in third place on countries with the major amount of emissions of CO₂, just after China and the US, countries that have seen reflected the pollution in higher levels of economic growth which in turn generate better levels of economic happiness in its inhabitants, not the case of India where their macro-economic figures show a different situation.

India is having largest geographical area in the Asia. We stand 2nd in the world population graph. India today, is one of the countries with the largest presence in the global environmental news. Their levels of pollution achieved in some cities put it in third place on countries with the greatest amount of emissions of CO₂, just after China and the United States, countries that have seen reflected the pollution in higher levels of economic growth which in turn generate better

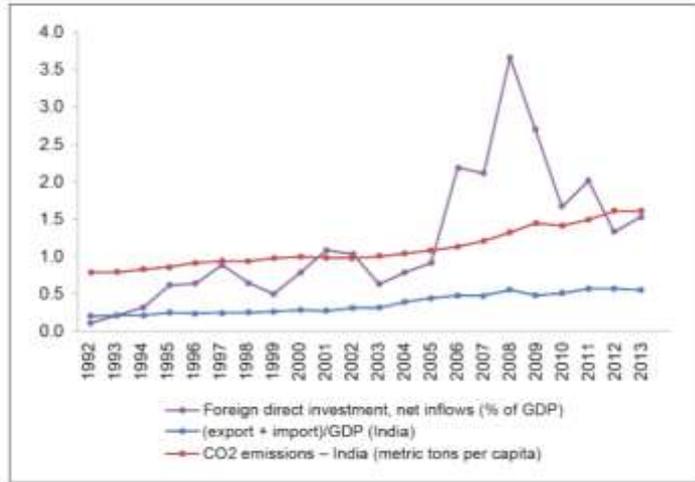


levels of economic welfare in its inhabitants, not the case of India where their macro economic figures show a different situation.

According to the magazine datosmacro.com Expansion (Expansion, 2016), India, is located in the south of Asia, with a geographical area of 3.287.260 Km², therefore, of the largest countries in the world. The population that appointment for the 2016 reaches 1'311,050,527 people, is one of the most populous countries in the world with a high population density of 399 inhabitants per km². Its capital is New Delhi and its currency are the Indian Rupees that have a current exchange rate of 1 EUR= 70.93* INR (rupees). India belongs and continues the economic guidelines and international trade of some international agencies such as the IMF, the G20, BRICS, among other India embarked on a pathway of liberal economic reform in the 1990s after years of nurturing an intensively regulated and controlled economic environment that was released a bit in the mid-1980s. Now it is well recognized that such a sea change in policy has led to imposing achievements in many sectors of the economy. The most important and critical segment of this reform has been trade and foreign investment, with deregulations in the well-known industrial licensing system. The theme of this paper is to make readers aware of the relevant work on climate change and the impact of trade and environment on climate change with special reference to India's economy. The impact of globalization on India has been felt in terms of increasing prosperity, partially triggered by increasing volume of trade, investment, and growth.

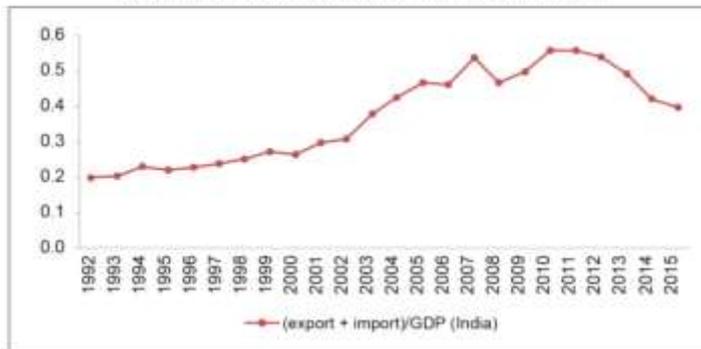
A cursory look at the evidence suggests that the conventional directness index, represented by the ratio of volume of trade to gross domestic product (GDP), increased substantially from a little over 10% in the 1990s to almost 50% in recent times. Average tariff rates came down radically, leading to greater imports and exports. The foreign direct investment (FDI) flows also on-going recording impressive levels over the next two decades. Trade and FDI in the Indian context are portrayed in Figures 1 and 2. Per capita energy consumption and carbon dioxide (CO₂) emissions have also augmented in the post-reform period, as suggested in Figures 3 and 4; Figure 5 depicts India's GDP growth. However, as Figures 6 and 7 show, India's per capita consumption of energy and CO₂ emissions are both way under the People's Republic of China (PRC) and the United States (US).

Figure 1: FDI, Trade, and CO₂ Emissions in India



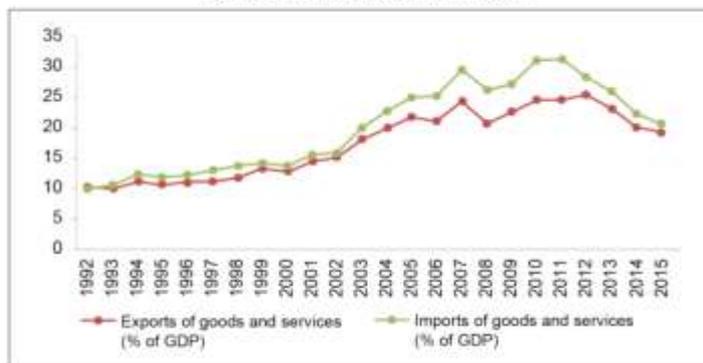
Source: World Bank Data (www.data.worldbank.org).

Figure 2.1: Trade Openness after Liberalization



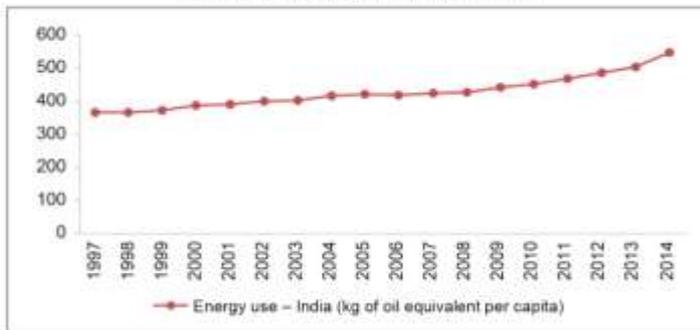
Source: World Bank Data (www.data.worldbank.org).

Figure 2.2: Exports and Imports



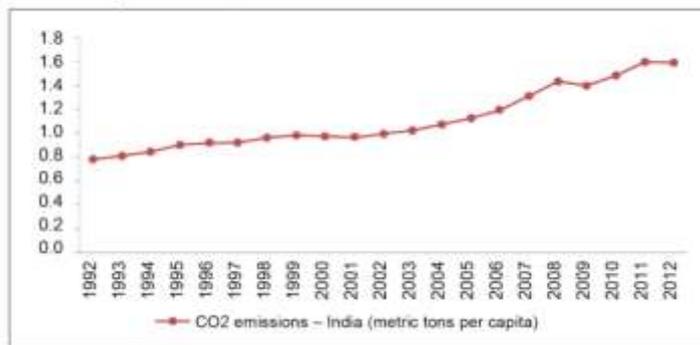
Source: World Bank Data (www.data.worldbank.org).

Figure 3: Energy Utilization in India



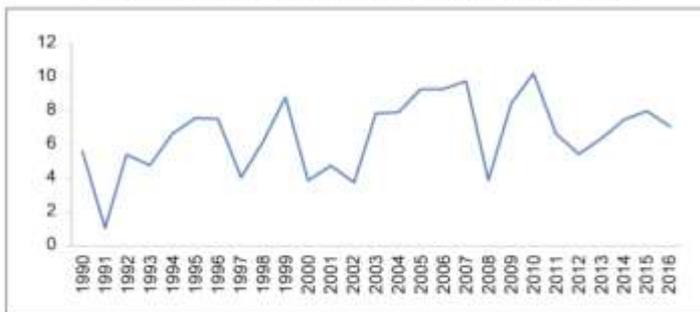
Source: World Bank Data (www.data.worldbank.org).

Figure 4: CO₂ Emissions in India after Liberalization



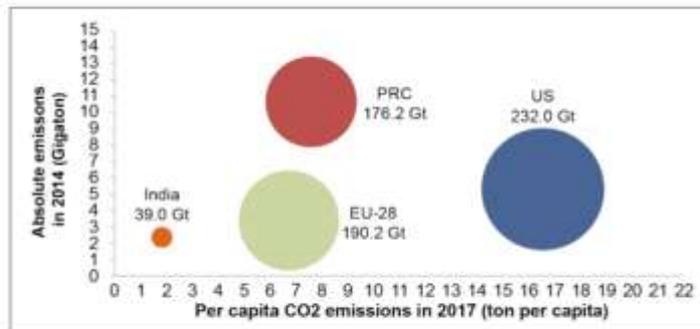
Source: World Bank Data (www.data.worldbank.org).

Figure 5: GDP Growth of Indian Economy, 1990–2016



Source: World Bank Data (www.data.worldbank.org).

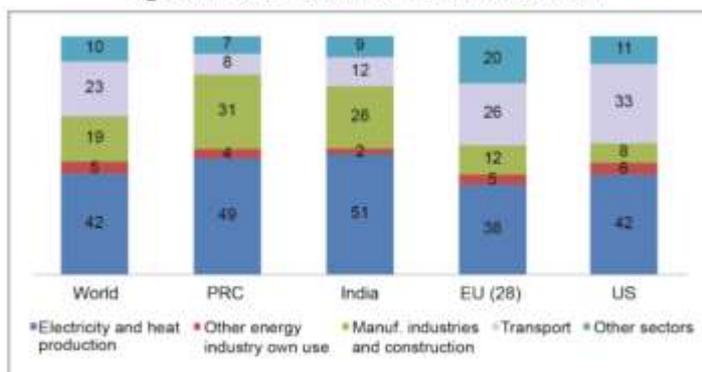
Figure 6: Per Capita CO₂ Emission in Selective Countries



Note: Bubble width indicates total emissions between 1970 and 2014 for the respective countries, indicated alongside the bubbles.

Source: Economic Survey 2015–2016 (Government of India).

Figure 7: CO₂ Emission from Different Sectors



Source: Economic Survey 2015-2016 (Government of India).

The effects of trade and FDI, though mixed and dissimilar, are felt on growth in GDP. India has hopped ahead of nations, flouting the taboo of the so-called historic “Hindu” rate of growth of 3% per annum, averaging around 8% per annum (India’s GDP growth rate in the post-reform period is shown in Fig 5).

In spite of the major financial disasters and crashes of 1997 and 2008, India has remained a close second to the PRC and is currently growing at a commendable rate. After the historic demonetization event in November 2016, when about 86% of currency was withdrawn from circulation to control black market transactions and unlawful liquidity, the growth rate has faltered a little. The recent work on global fiscal policy and disparity by the International Monetary Fund (IMF) (Clements et al. 2015) confirms the claim that millions of people have been elevated above the poverty line thanks to the historic switch to a regime of liberal economic policies. Interestingly, while the degree of inequality in the 2000s shows a abstemiously increased level relative to the 1980s, the increment is far lower than in the PRC and the increase itself is absolutely on the lower side if compared with the world average during the relevant period.

Against this backdrop, it is hard to be too anxious about the direct environmental consequences of more open trade and investment regimes. It is also extremely difficult to separate effects that are exclusively due to liberal trade policies and quite independent of the growth effect. The real need is to analyze the problems at various levels by concentrating on the effects of a significant change in the growth regime, reflecting the increasing level of affluence, which has definitely been impacted by liberal trade policies. The form of trade should itself have some effect on environmental elements such as fossil fuels, renewable energy, carbon emissions, etc. Further to



this effect, one should worry about overall climate change, food supply, and food security. It is also important to comprehend the pattern of India's trade and investment that has considered its growth path over the last few decades. On the one hand, trade and investment policies may directly regulate environmental damage and affect optimal utilization of natural resources. On the other hand, any kind of regulatory policy or its appearance will be guided by several critical factors involving awareness, political lobbies, strategic reactions, and the enormous size of the informal sector. Coupled with this, India's contribution in global policy making to control trans boundary pollution, climate change, and CO₂ emission-related factors will be also important. We reflect on all of these as much as possible given the limited length of the chapter. The main point of this paper focus on the global standards, India's performance has not been particularly worrisome. Liberal trade policies and market mixing have contributed to growth, resulting in pressure on the use of natural resources. However, poor regulatory control has created irregular natural and national disasters in tandem with factors that are affected by global warming. It is this problem of applying regulations that requires special attention.

There are certain global issues which involve trans boundary concerns and India cannot be insulated from those concerns. Globalization and the environment in India are reliant on in part on global climatic conditions and the policies of the other countries, as one cannot ignore global negative externalities. These will be connected to the policies with which the Indian government has been engaged. In this introductory section, we highlight research on climate change at the global level and developing problems that require attention. We reflect upon some of these matters in the policy section.

Problem of Climate Change at the Global Level

Climate change is a complex problem which, though environmental in nature, has significances for all spheres of existence on our planet. It either impacts, or is impacted by, global issues, with poverty, economic development, population growth, sustainable development, and resource management. Climate change is a global challenge and necessitates a global solution. Greenhouse gas emissions have the same impact on the atmosphere whether they initiate in Washington, London, or Beijing. Consequently, action by one country to reduce emissions will do little to reduce global warming unless other countries act as well. Ultimately, an effective



strategy will require commitment and action from all the major producing countries. Climate change poses the serious contest of carbon dioxide emission reduction. Emission control by emerging countries is becoming key for the effective mitigation of climate change, as those countries now account for more than a half of global emissions and are still increasing their energy infrastructure.

At the very heart of the response to climate change, however, lies the need to reduce emissions. In 2010, governments settled that emissions need to be reduced so that global temperature increases are limited to below two degrees Celsius.

In 1992, majority of countries joined an international treaty, the United Nations Framework Convention on Climate Change (UNFCCC), to consider what they could do to limit global temperature increases and the resulting climate change, and to cope with its impacts. By 1995, countries realized that emission lessening provisions in the Convention were inadequate. As a result, they launched discussions to strengthen the global response to climate change and, in 1997, adopted the Kyoto Protocol. In short, the Kyoto Protocol is what “operationalises” the Convention. It commits industrialized countries to steady greenhouse gas emissions based on the principles of the Convention. The Convention itself only inspires countries to do so. The Protocol sets binding emission decrease targets for 37 industrialized countries and the European community in its first commitment period. Overall, these targets add up to an average 5% emissions reduction compared to 1990 levels over the five-year period 2008 to 2012 (the first commitment period). The Protocol is organized on the principles of the Convention. It only binds developed countries because it recognizes that they are mainly responsible for the current high levels of GHG emissions in the atmosphere, which are the result of more than 150 years of industrial activity. The Kyoto Protocol places a heftier burden on developed nations under its central principle, that of common but differentiated responsibility. The Kyoto Protocol legally binds developed countries to emission decrease targets. The Protocol’s first pledge period started in 2008 and ended in 2012. The second commitment period initiated on 1 January 2013 and will end in 2020.

Impact on Environment

India has made a lot of progress in the last two decades, but we must withstand the growth engine to ensure increased incomes, improved livelihood and a better quality of life. Economic



growth has positive impacts like increase in wealth/reduction in poverty, better standards of living, health, education and infrastructure and technology. However there are negative effects like health challenges, increase in income disparity, increased pollution and a depletion of natural resources.

India has opted to use of fossile fuels to match energy requirement for its present rate of economic growth, the same as for the generation of electric power, this represents 70% growth of what has been achieved. A high cost in environmental matters has had to pay India whose effects have been touched already in some cities including New Delhi, Mumbai.

The use of mineral coal and oil are the key types of fossile fuels in India. The first by the high amount of reserves represent a low cost element in the production of energy unlike oil which is imported which is to India as the third major importer of this product at a global level.

Conclusion :

The comparative indicators between countries here exposed, as well as the socioeconomic data that are presented, shows that India has a complicated scenario only by 2020. The cost of pollution is the impact on environment which is result of economic growth of India. India must make drastic changes and the must to do something to cope up with the environment protection.

India has an enormous chance to demonstrate sustainable growth and break away from the development paradigms of the past that have largely subjugated the interests of the environment. We have to think about the clean and potable water, green energy, clean air alongwith our basic needs food, shelter and cloths. Which makes the development a sustainable development in the country.

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