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CONTENTS

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OBJECTIVES

HYPOTHESIS (ES)

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

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REFERENCES

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FUNDAMENTAL VICISSITUDES: A CASE OF SAARC COUNTRIES

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ABSTRACT

SAARC countries are populated by those civilizations in the world, where people from all races and religions have co-existed over a long period of time. The South Asian Association for Regional Cooperation (SAARC), as a role model for political or economic regional integration. India has been the central core of this region both physically and culturally. This paper mainly focuses on the growth and fundamental vicissitudes in the South Asian countries since the last two decades. For this purpose, certain common parameters including growth rate in GDP, Employment in different sectors, transformation from Rural to urban migration, declining share of agriculture in GDP, increasing the share of industrial and service sector and certain another indicator will be studied.

KEYWORDS

SAARC, fundamental vicissitudes, economic growth.

INTRODUCTION

With a combined population of some 1.5 billion, South Asia is a home to half of the world poor. Strong economic growth gives these countries the opportunity to eliminate the pervasive poverty in their economy. With increasing the globalisation open trade, economic development, peace become an important factor for every economy. Now the days, the caliber of the state can't see with its defence capacity, but can see with its economic integration, trade relations with another countries or its investment capacity. SAARC countries have been growing at faster rate with transformation from agriculture to industry and service sector and opening up their economy for trade and investment at global level. Over the past 20 years, South Asia has experienced a long period of robust economic growth, averaging 6 per cent a year (source). This strong growth has translated into declining poverty and impressive improvements in human development.

OBJECTIVES

This paper focuses to examine the growth and fundamental vicissitudes in the South Asian countries since the last two decades. For measuring the structural transformation in South Asian countries, certain common parameters have been taken like growth rate in GDP, Employment in different sectors, transformation from Rural to urban migration, declining share of agriculture in GDP, increasing the share of industrial and service sector and certain another indicator. The data are mainly taken from World Development Indicators (WDI) of World Bank and Asian Development Bank (ADB).

SAARC COUNTRIES

Seven South Asian countries- Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka- formed the South Asian Association for Regional Cooperation (SAARC) founded in 1985, in April 2007; Afghanistan became its eighth member to increase the integration between these regions. The SAARC was established when it is charted was formally adopted on 8 December 1985. It is headquartered in Kathmandu (Nepal). European Union (EU), Asia and Organization for Economic Cooperation and Development (OECD), Pacific Economic Cooperation (APEC) are also the regional economic groups that are more developed in comparison of SAARC. Very few people know that SAARC is overshadowed by ASEAN in South East Asia and Mercosur or NAFTA in the Americas. The population density is 275 people per sq km which is six times higher than that of the world average population density. This region is the home of 23 per cent of the world's population comprising an area of only 3.8 per cent of the total global land. Considering the market-size in terms of population, SAARC is one of the largest economic blocs in the world. This region covers almost 67 per cent of the low income population of the world economy (Ali and Talukdar, 2009). SAARC countries differ greatly in land area, GDP, and population, although these countries have similar levels of human and economic development. They also share the unusual feature of having a common border with one another member country (Iqbal 2006). Considering the size of land area, population and economy, India is by far the largest country in South Asian region; while Pakistan and Bangladesh are the second and third largest country respectively. India occupies over 70 per cent of the landmass of the region and its territorial and maritime boundary touches all South Asian countries except Afghanistan. Out of the eight SAARC countries, all the countries barring India and Pakistan are small in territorial size. Two countries (Bhutan and Nepal) are land-locked and their contact with the rest of the world virtually depends on the cooperation of India, while Maldives and Sri Lanka are island states (Chowdury, 2004). All these countries have economic problems like poverty, unemployment, income inequality, regional imbalances and all are dependent on external aid/assistance. These countries may be termed as underdeveloped or developing economies. Except Maldives, in all the SAARC economies more than 10 per cent of the population lives on less than US$1.25 a day and have no access to improved sanitation (Asian Development Bank, 2009). South-East Asia and South Asia was associated with a rapid decline in the importance of agriculture and strong expansions of industry and services during 1970-2005. Economic growth of India, Pakistan and Bangladesh jumped from an average of 5 percent in the 1990's to well above that in 2000-2008. Shortly, before the onset of the global financial crisis in 2008, India's growth rate was a staggering 9 per cent and that of Pakistan, Bangladesh and Sri Lanka's around 7 per cent. (IGC 2010). "Welfare economics" and "Collective self-reliance", "Accelerating economic growth" and Cultural development are the main goals of the SAARC countries.

FUNDAMENTAL TRANSFORMATION AND ECONOMIC GROWTH

When a country shifts from being a largely agrarian economy to one based on services or industry, it is said to have undergone "fundamental transformation". This has happened in some Asian countries, contributing largely to their economic development (IMF 2013). An essential insight of classical development economics was that economic growth is intrinsically linked to changes in the structure of production. According to this view, industrialization is the driver of technical change, and overall productivity increases are mainly the result of the reallocation of labor from low to high productivity activities. Early empirical studies had already showed the importance of industrial development for higher long-term economic growth, indicating that it has indeed been an observed "regularity" in development patterns (Kuznets, 1966; Chenery and Taylor, 1968; and Chenery, 1979). Modernisation of agriculture is also essential to facilitating a dynamic

transformation from an agricultural to a modern industrial society. Fast growth in East and South-East Asia has been associated with a rapid decline in the importance of agriculture and strong expansions of both the industrial and service sectors (United Nations, 2006).

RECENT ECONOMIC GROWTH IN SOUTH ASIA

SAARC Preferential Trading Agreement (SAPTA) transformed into South Asian Free Trade Area (SAFTA) in 2004 with a view to enhancing their industrious capacity and the region's trading interests for the structural changing in their economy. Unlike other economies, the astonishing growth of service sector in South Asia has consciously skipped the manufacturing sector and has jumped directly from agriculture to services sector. This enormous structural transformation from primary sector to tertiary sector has been a key driver of growth in the region. The GDP per capita growth (annual per cent) in South Asia was last reported at 4.91 per cent in 2011, according to a World Bank report published in 2012, Sri Lanka has the highest GDP per capita in the region, while Afghanistan has the lowest. India is the largest economy in the region (US$ 1.97 trillion) and makes up almost 82 per cent of the South Asian economy; it is the world's 10th largest in nominal terms and 3rd largest by purchasing power adjusted exchange rates. Pakistan has the next largest economy and the 5th highest GDP per capita in the region, followed by Bangladesh and then by Sri Lanka which has the 2nd highest per capita and is the 4th largest economy in the region. South Asia is the least integrated region in the world; trade between South Asian states is only 2% of the region's combined GDP, compared to 20% in East Asia (World Bank 2007).

TABLE 1: GROWTH RATE OF GDP

Country	Annual percentage growth rate of GDP			
	1990	2000	2010	2013
Afghanistan	-	-	8.4	1.9
Bangladesh	5.9	5.9	5.6	6.0
Bhutan	10.9	6.9	11.7	2.0
India	5.5	3.8	10.3	6.9
Maldives	-	-	7.1	3.7
Nepal	4.6	6.2	4.8	3.8
Pakistan	4.5	4.3	1.6	4.4
Sri Lanka	6.4	6.0	8.0	7.3

Source: The World Bank (WDI 2O14)

The growth rate of GDP among the different South Asian countries present in Table 1. There has been increase in the rate of growth of GDP only for Bhutan, India, and Sri Lanka during the time periods in 1990 to 2010 but in 2013 it has decreased. In case of Bangladesh, Nepal and Pakistan it has decreased during the time periods in 1990-2010 but in 2013 it has increased except Nepal. There by pointing towards a slowdown in these economies. Growth rate of GDP was also declined in case of Maldives during the time periods in 2010 to 2013.

TABLE 2: SECTORAL CONTRIBUTION TO GDP (1990-2013)

Country	Agriculture (%GDP)				Industry (%GDP)				Services (%GDP)			
	1990	2000	2010	2013	1990	2000	2010	2013	1990	2000	2010	2013
Afghanistan	-	-	27	24	-	-	21.9	21.2	-	-	51	55
Bangladesh	30	26	17.8	16.3	21	25	26.1	27.6	48	49	56	56.1
Bhutan	35	27	17.5	17.1	25	36	44.6	34.2	40	37	38	38.3
India	29	23	18.2	18	26	28	27.2	30.7	44	51	54	57
Maldives	-	9	4.3	-	-	15	15.5	22.5	-	76	80	73.3
Nepal	52	41	36.5	35.1	16	22	15.6	15.7	32	37	48	49
Pakistan	26	26	24.3	25.1	25	23	20.6	21.1	49	51	55	53.8
Sri Lanka	26	20	12.8	10.8	26	27	29.4	32.5	48	53	57.8	56.8

Source: adapted from The World Bank (WDI 2O14).

Though, agricultural sector has played a very significant role for generation of rural employment in the Asia and Pacific region, its contribution to the overall economy has greatly reduced in the recent past (Asian Productivity Organization, 2004). Table 2 shows that In Afghanistan the sectoral contribution of agriculture has decreased, whereas there has been a significant increase in service sector from 51 per cent in 2010 to 55 per cent in 2013. The share of agriculture sector in Bangladesh has also decreased from 30 per cent in 1990 to 16.3 per cent in 2013 and the share of industrial sector has increased 21 per cent in 1990 to 27.6 per cent 2013. The share of service sector has also increased from 48 per cent in 1990 to 56.1 per cent in 2013 in Bangladesh. In the case of Bhutan, the both share of agriculture sector and service sector has declined whereas the share of industrial sector has increased from 25 per cent in 1990 to 34.2 per cent. There has been considerable declined in the share of agriculture sector and increased in both the industrial and service sector in case of India. The share of industrial sector has increased from 26 per cent in 1990 to 30.7 per cent and the share of service sector has increased from 44 per cent to 57 per cent in 1990 to 2013. In the case of Nepal, the share of both the sectors that are agriculture and industrial sector has decreased and the share of service sector has increased from 32 per cent in 1990 to 49 per cent in 2013. Similarly, in case of Pakistan, same structural changes have been occurred. In the economy of Sri Lanka, there has been acceleration in both the industrial and service sector while reduction in agriculture sector. This shows a major structural transformation in the economies of South Asian Countries the expansion of industrial and service sector and contraction of agriculture sector.

No doubt, service sector has been playing a vital role in GDP, but this sector is providing employment opportunities only to the skilled persons. In that situation, industrial sector becomes a good option to absorb the large unlimited labour surplus. In case of India and Nepal share of service sector to GDP is high as compared to employment in this sector. In India, the share of service sector in GDP is 57 per cent, but this sector is providing employment about 28.1 per cent. Similarly, in case of Nepal, share of service sector in GDP is 49 per cent, but this sector is providing employment around 21 per cent. So, these economies should also focus on industrial sector and non-farm sectors also.

TABLE 3: SHARE OF EMPLOYMENT IN DIFFERENT SECTORS (% of total employment)

Country	Agriculture				Industry				Services			
	1990	2000	2010	2013	1990	2000	2010	2013	1990	2000	2010	2013
Bangladesh	66	62	49	-	13	10	17	-	16	39.2	39.9	-
Bhutan	-	-	60	56.3	-	-	7	11	-	39	34	32.7
India	-	60	51	47.2	-	16	22	24.7	-	24	27	28.1
Maldives	25	13.7	4.3	-	-	22	19	-	58.8	72.9	86.3	-
Nepal	81	76.1	-	-	3	13	-	-	14.7	15	21	-
Pakistan	51.1	48.4	45.1	43.7	20	18	22	22	36.0	40.0	41.5	42.2
Sri Lanka	46.8	36.0	32.5	29.7	19.4	23.6	24	26.2	33	40.3	42.9	44.1

Source: The World Development Indicator (WDI 2O14), Annual Report 2011-2012, ADB 2014

Table 3 shows that with the structural transformation the share of employment have been increasing in services sector and in industrial sector, while start decreasing in agriculture sector because agriculture sector alone is not in a position to absorb extra labour force. This phenomenon happened almost in all SAARC countries which show the economic growth of these countries.

GROWTH OF URBANIZATIONS IN SOUTH-ASIA COUNTRIES

Urbanization is a complex dynamic process which is now being accelerated by the rapid globalization, Privatization and expansion of local economies, especially in Asia. As urbanization offers various opportunities for economic growth, but at the same time they also present many challenges, such as poverty, pollution and disease.

TABLE 4: GROWTH OF URBANIZATION

Country	Urban population (as percent of total population)			
	1990	2000	2010	2013
Afghanistan	18	21	25	26
Bangladesh	20	24	30	33
Bhutan	16	25	35	37
India	26	28	31	32
Maldives	26	28	40	43
Nepal	9	13	17	18
Pakistan	31	33	37	38
Sri Lanka	17	16	18	18

Source: The World Bank, 2O14 and ADB, 2014

Table 4 shows that there has been a growth of urbanization in all the countries Sri Lanka. In Afghanistan urban population was 18 per cent in 1990 which was increasing to 24 per cent in 2012. In Bhutan urban population was growing at a faster rate from 16 per cent in 1990 to 25 per cent in 2000 and then 35 per cent 2010 and in Pakistan it was at slower rate from 31 per cent in 1990 to 33 per cent in 2000 and then 36 per cent 2010. In India it was also at slower rate from 26 per cent in 1990 to 28 per cent in 2000 and then 32 per cent in 2013.

TABLE 5: GROWTH OF POPULATION IN SOUTH ASIAN COUNTRIES

Country	Population growth (annual %)			
	1990	2000	2010	2013
Afghanistan	4.5	3.0	2.5	2.4
Bangladesh	2.5	1.8	1.1	1.2
Bhutan	1.2	2.8	1.7	1.6
India	2.0	1.7	1.3	1.2
Maldives	3.0	2.0	1.9	1.3
Nepal	2.4	2.2	1.1	1.2
Pakistan	2.9	2.3	1.8	1.7
Sri Lanka	1.1	0.2	1.0	0.8

Source: adapted from World Bank, 2014

Data shows that growth rate in population have decreased in all south Asian countries except Bhutan between the time periods 1990 to 2000. Between 2010 to 2013 growth rates of population of all SAARC countries almost remaining the same.

TABLE 6: LABOR FORCE PARTICIPATION RATE (LFPR)

Labor Force Participation Rate (% of total population age 15+)				
Country	1990	2000	2010	2013
Afghanistan	49	48	48	48
Bangladesh	76	71	71	71
Bhutan	65	67	72	73
India	61	59	55	54
Maldives	50	55	66	67
Nepal	85.2	86	84	83
Pakistan	51	51	54	54
Sri Lanka	57	57	55	55

Source: adapted from World Bank

This table shows that in case of Afghanistan LFPR has decreased from 49 per cent in 1990 to 48 per cent in 2000 and remaining the same between the time periods in 2000 to 2013. Similarly, in Bangladesh, LFPR has decreased from 76 per cent in 1990 to 71 per cent in 2000 and remaining the same in letter periods. In Bhutan it has increased from 65 per cent to 73 per cent during the time periods of 1990 to 2013. In India it has decreased from 61 per cent to 54 per cent between the time periods 1990 to 2013. In case of Maldives, it has increased from 50 per cent in 1990 to 67 per cent in 2013. In case of Pakistan, LFPR was remaining the same i.e. 57 per cent during 1990 to 2000 and after that it has decreased to 55 per cent during 2010 to 2013.

TABLE 7: KEY ECONOMIC INDICATORS OF SOUTH ASIAN COUNTRIES

Country	Total debt (% of GDP)				Interest payments (% of revenue)			
	1990	2000	2010	2013	1990	2000	2010	2013
Afghanistan	-	-	15.4	13.7	-	-	0.1	0.0
Bangladesh	-	36.1	-	22.6	-	15.5	18.3	15.9(2011)
Bhutan	51.2	69.9	56.8	56.8	2.9	1.0	8.4	-
India	49.2	54.3	50.6	50.3	27.6	38.9	22.8	24.9
Maldives	30.8	40.9	66.6	73.5(2011)	2.3	4.5	10.4	7.7(2011)
Nepal	52.6	64.6	33.9	33.9	-	10.5	4.6	4.1
Pakistan	78.8	-	60.1	52.6	28.1	41.6	37.4	34.1
Sri Lanka	96.6	96.6	81.9	79.14	27.8	32.9	42.3	38.3

Source: World development indicator (2014), ADB, (2014)

Table 7 shows that the debt-GDP ratio for Afghanistan, Bangladesh, Pakistan, and Sri Lanka has decreased during 1990 to 2013. In case of Bhutan, India and Nepal debt-GDP ratio has increased during 1990 to 2000 and letter years it almost remaining the same. The debt-GDP ratio has increased only in case of Maldives at

higher pace. Interest payments include interest payments on government debt--including long-term bonds, long-term loans, and other debt instruments--to domestic and foreign residents. It has decreased in case of Afghanistan, Bangladesh, India and Nepal. It has increased in case of Bhutan, Maldives, Pakistan and Sri Lanka.

CONCLUSION

Under the World Bank designated category, amongst the eight countries, four economies namely Bangladesh, Bhutan, Maldives and Nepal are least developed countries (LDCs); and India, Pakistan Sri Lanka are considered developing countries. On the basis of income Bhutan, Maldives and Sri Lanka are lower-middle-income countries; and Bangladesh, India, Nepal and Pakistan are low-income countries (Das, 2007; World Bank, 2007). India is the star amongst all these nations in terms of its economic strength. As a region, the South Asia's growth momentum was led by the services sector, but industry sector growth accelerated in regional big economies India, Pakistan, Bangladesh and Sri Lanka, reinforcing the sustainability of high growth rates into the future (Central Bank of Sri Lanka, 2008). The share of services sector in GDP as well as in employment has been growing at faster rate almost in all South Asian economies. All South Asian countries have adopted liberalisation, globalisation and macro-economic reforms for the growth and modernisation of their economies. Moreover, these nations have a lot of potential to grow. These nations need to improve governance as well as strengthen the institutions and education line that help and promote inclusive growth and economic development.

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