

# The effects of war and peace on foreign aid of india essay samples

[Technology](#), [Development](#)



[Author Name(s), First M. Last, Omit Titles and Degrees]

[Institutional Affiliation(s)]

[Include any grant/funding information and a complete correspondence address.]

A war makes an immense negative impact on economies of both the aggressor and the aggressed nations while peace promotes and facilitates growth and development. During war time, all resources are channelized to war efforts, and other developmental activities come to a grinding halt. It also devastates economies, and foreign aids and grants are warranted to bring them back on rails. We shall examine whether foreign aids effect to the growth, and development of India or it serves the interests of the donor.

Almost all developing countries that got rid of shackles of foreign rule not too distant past were colonized by a few developed countries. These nations not only ruled those countries but also drained them economically by earning profits, and procuring raw material and cheap labor for their factories and industries. . India is the case in point as it had been under the British rule for over hundred years. It is those erstwhile ruling nations that provide economic aids to countries that have been still developing (Military history of India).

As per Griffin (1991) the present form of foreign aid originated from the Cold War. Initially, both the U. S. and the U. S. S. R. took recourse to aid to find countries of Asia, Africa, and Europe in their respective sides. However, there had also been an economic aspect to these kinds of aids that were intended to give rise to an all-encompassing strong capitalist economy on a global basis. That is why; the notion does the rounds that these aids had been

intended to promote the ideology and economic interests of the countries donating.

However, India, a recipient of aid, have been practicing and promoting ever since its independence in the year 1947 public-private model of approach notwithstanding the policy of globalization which began to manifest in the early part of 1991. Interestingly, the amount of aid has not been increased since 1991, and it has hovered around 3% off GNI of the donor countries which was expected to touch 7% by now (Shah, 2012).

There is a minor increase in the amount of aid doled out to developing countries, but this increase is accredited to the rise in the exchange rate of currencies of donor countries. The difference of priorities and preferences between the donor and the recipient induces recipient to reduce deployment of own resources for the cause it gets aid. This difference prompts recipient to employ the foreign fund even in pursuits other than intended. The recipient, in this way, makes the aid " fungible" (Swaroop, Rajkumar & Jha, 2000).

Figure 1: Trend in aid to India since 1970, Adopted from “ World-development aid at a glance”, (2013). Retrieved from <http://www.oecd.org/dac/stats/world>

It is important to refer to wars fought between India and Pakistan since 1947, the advent of these two countries, to stock of trends of aid and development. These countries have fought wars in 1947, 1965, 1971, 1984, and more recently in 1999, and one can notice minor increase in the amount of aid to India, and, of course, to Pakistan. India combated a border war against China in 1962. The defeat triggered India to make significant tunings in its military.

The Department of Defense Production was developed to make an indigenous defense system. The economic impact of these wars on India was not so damaging, and there had not been any policy shifts during those years as only one political group had been in power in India. However, India had spent that amount on the procurement of arms and ammunitions to some extent (Military history of India).

Notwithstanding all these, aid has had a positive impact on the developing nation, India as it augmented capital appreciation, infrastructure development, and human resources mobilization in the fields of health and education in particular. Hence, the records of aids and consequent developments available for the last forty years do not suggest cessation of aids to this country (Arndt & Jones 2014).

Herzera & Nunnenkampb (2012) used Net Aid Transfers as a variable to show the contribution of GDP in cointegrating relationship development. They laid stress on cointegrating relationship of NAT and EHII Gini coefficient as a part of GDP. They utilized continual data over an appropriately prolonged duration of time. They took up cases of 21 countries including India, Malta, Kuwait, and Egypt for which data were available for the last 26 years to bring out distinctions in values of variables in these countries during the period between 1970 and 1995. The results showed the highest NAT/GDP ratio in Egypt, and the lowest share of GDP in Kuwait which has been a country with great inequality. The inequality scale showed Malta at the bottom. However, in case of India, the average inequality value represented by EHII Gini and aid manifested by NAT/GDP ratio had been 43.23 and 0.79 respectively.

Further, apparently, donor countries are concerned with only the rate of growth of recipient countries, and not with their bureaucratic preferences. It is also evident that non-super power countries contribute substantially in terms of aids and grants (Gang & Khan, 1999). However, a majority of political seers hold the view that aids and grants serve the ideology and economic interest of donors rather than the economic interests of recipients. That is why; India advocates aids and grants with which no conditions are attached.

According to Rajan & Subramanian (2008), there is no strong convincing positive relationship manifest between aid and growth. An analysis of the situations proves contrary to general perception that aids lead to increase in growth rate. There is no definitive evidence to sustain the contention that foreign aids and grants are responsible for the alleviation of poverty in India (Rajan & Subramanian, 2008).

In short, there is no conclusive correlation between aid and growth in the context of India. Foreign aids and grants were strategies to establish capitalism and democracy in those countries. However, donor nations, mostly the colonial powers, by providing aid promoted their own economical and ideological interests in recipient countries.

## References

- Arnd, C., & Jones, S. (2014). Assessing foreign aid's long run contribution to growth and development. *World Development*, xx, xxx-xxx.
- Gang, I. N., & Khan, H. A. (1990). Some Determinants of Foreign Aid to India, 1960-1985. *World Development*, 18(3), 431-442.
- Griffin, K. (1991). Foreign Aid after the Cold War. *Development and Change*,
- <https://assignbuster.com/the-effects-of-war-and-peace-on-foreign-aid-of-india-essay-samples/>

22, 645-685.

Herzera, D., & Nunnenkamp, P. (2012). The effect of foreign aid on income inequality: Evidence from panel cointegration. *Structural Change and Economic Dynamics*, 23, 245-255.

“ Military history of India” (January 27, 2014). In Wikipedia. Retrieved from: [http://en.wikipedia.org/wiki/Military\\_history\\_of\\_India](http://en.wikipedia.org/wiki/Military_history_of_India)

Rajan, R. G., & Subramanian, A. (2008). Aid and growth: What does the cross-country evidence really show? . *The Review of Economics and Statistics*, 90, 643-665.

Shah, A. (April, 08, 2012) Foreign aid for development assistance. Retrieved from <http://www.globalissues.org/article/35/foreign-aid-development-assistance>

Swaroop, V., Rajkumar, A. S., & Jha, S. (2000). Fiscal effects of foreign aid in a federal system of governance: The case of India. *Journal of Public Economics*, 77, 307-330.