

Economics Impact of Terrorism in India

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ABSTRACT

There is no doubt among economics that wars, terrorism, and political instability have a significant negative effect on the economies in which they take place. This paper investigates both the consequences of terrorism and the mechanisms that transform it into economic damage. The objective of this study is to analyze several aspects of the macroeconomic consequences of terrorism against economic development of India.

Key words: political, macroeconomic, terrorism

INTRODUCTION

Terrorism is simply an act of violence or threat to use violence that inflicts terror among the people. It is the name given to the violent acts performed by some groups to get things done in a way which are against the law. Terrorism is a threat for most of the countries worldwide. Though the reason of spurt of terrorism may vary from place to place, yet it rises mainly due to religion, ideology, politics, historical legacy, ethnicity, poverty, illiteracy, corruption, etc. Terrorist groups amazingly justify that they are fighting for a noble cause-for the cause of their motherland, like any soldier who may be fighting in the nation's army. But this is a dangerously erroneous argument that is fabricated to suit the unjust motives of terrorists. There is a great difference between the soldier and the terrorist. A soldier takes the responsibility of his deeds but a terrorist never.

Objectives of Terrorists

- Attract public attention to the group's grievances,
- Encourage empathy for their unfair/unjust situation and sympathy for the cause,
- Demonstrate the inability of the state to provide security,
- Polarize the public to simplify the debates and arguments,
- Coerce the public into pressuring the state into compromise solutions,
- Force the state into repressive reactions that discredit the government,
- Force the state into repressive reactions that serve to recruit new members and supporters,

- Demonstrate the economic consequences of continued violence,
- highlight the potential political consequences of continued conflict,
- Attract international attention and encourage intervention.

Over the years, terrorism has been identified as a worldwide disturbing phenomenon and the biggest problem in many countries, be it developing or developed. The terrorism has the potential to disrupt a nation's economic progress, in that way it has become a hindrance in the development of affecting country. Terrorism has exerted a global threat and terrorists have free flow of information, communication, net-war and so forth. Threats from terrorist groups have grown alarmingly and pose a greater challenge to nations.

TERRORISM IN INDIA

India, being a developing country, is facing different types of challenges in comparison to many of the other developed countries. It faces a series of challenges, such as hunger, population explosion, poverty, unemployment and illiteracy, etc. Which are somehow attached with economy and its proper channelisation and management. These problems have been affecting its growth in the long journey of independence of over last sixty years. But the threat that is the most menacing of all is that of terrorism.

There was a time when terrorism was a distant concept wrapped with political motives and cross-border motivations, and to some extent was confined to the state of Jammu and Kashmir. Then it started spreading. The next core area was north-eastern India

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due to ethnic identity and separatist overtones. Then, the refugee influx from the erstwhile East Pakistan (now Bangladesh) in 1971 and later on the illegal migrants have added demographic imbalance and indigenous sources of political instability and terroristic violence. Although the frequent rupture of attacks has considerably reduced, these spots still continued to be terrorist hotbeds.

In India, the misuse of Islam for political reasons has given another dimension to terrorism, popularly known as "Jihadi Terrorism". There are many externally-aided internal or internally-aided external Jihadi elements and their outfits, which have spread their tentacles to extend the reign of terror across the whole length and width of India. India has been continuously attacked in recent past.

Alarmingly, due to externally-sponsored Jihadi terrorism from Pakistan, India bled when the 2008 Mumbai attacks took place. There were more ten coordinated shooting and bombing attacks across Mumbai-India's largest city, by the terrorists from Pakistan. The attacks, which drew widespread condemnation across the world, began on 26 November 2008 and lasted until 29 November, Killing at least 172 people. To count a few other horrendous terrorist events, one can include-Connaught Place (Delhi), Mehrauli (Gurgaon), Gaffar Market (Karol Bagh, Delhi), Varanasi (Uttar Pradesh). The places chosen by the attackers were the most crowded place so as to kill and maim maximum people, create panic in the Indian society and garner wide-spread publicity advantage.

Further, Terror loomed large over the horizon to haunt India in the form of bomb blast when an unattended bag near the kitchen of German bakery (Pune) was touched by a waiter at the place. At least, 9 people were killed and 57 injured in this German Bakery terrorist attack. It was especially haunting because it had taken the lives of innocent students and thus caused widespread anger and frustration amongst all students and teenagers across India.

Terrorism in India is primarily attributable to religious communities and Naxalite radical movements. The regions with long-term terrorist activities today are Jammu and Kashmir, North and West India (Jihadi terrorism), Central India (due to Naxalism) and the Seven Sister States in the North-East India (ethno-nationalist and separatist movements).

As on 2006, at least 232 of India's 608 districts were turbulent, at differing intensities, by various insurgent and terrorist movements, In August 2008, the then National Security Advisor Mr. K. Narayanan has categorically emphasized that there were as many as 800 terrorist cells operating in the country. Thus the invisible threat has engulfed almost entire length and width of India.

INDIAN IN TERRORISM RISK INDEX

For business organizations and corporate sector, assessing exposures toward terrorism is becoming increasingly essential. Business assets are vulnerable in certain high risk countries. The Terrorist Risk Indexes, along with global sub national mapping of terrorist incidents, provide organizations helpful tools for the

evaluation of such risks and thus, affects their investment and business decisions.

The fifth annual Terrorism Risk Index (TRI) 2013 released by risk analysis and mapping firm Maplecroft, have rated 18 countries and territories and 'extreme risk', including India. India as ranked 13th in the list, has been categorized as an 'extreme risk' nation in the index of global terror risk. Countries are rated in categories as 'extreme risk', 'high risk', medium risk and 'low risk' nations in the index.

Maplecroft's annual Terrorism Risk Index (TRI), which now forms part of new mapping service tracking worldwide terrorism incidents, has identified Yemen, Somalia and Afghanistan as the countries posing the most severe risk from terrorist attacks. Localised insurgencies in the growth economies of Nigeria, the Philippines, Turkey, India and Russia, feature among 18 countries classified as 'extreme risk'.

Over the period of 1 September 2011-31 August 2012, Maplecroft's research shows the ten most at risk states accounted for 87% of worldwide terrorist attacks (7,765 of the 8,927 logged by Maplecroft and WITS), while also suffering 85% of the 15,219 fatalities recorded over the same period.

According to the TRI, it is not just failed and fragile states that face acute levels of risk. Two of the group of Brazil, Russia, India and China and South Africa (BRICS) economies, India and Russia, also feature in the 'extreme risk' category. The level of risk, nevertheless, varies by region and terrorist threats remain largely localized from Jihadist, secessionist militants in Russia's North Caucuses and Left-Wing Maoist Naxalites in India, emanating as largest internal security risk.

Maplecroft ranks countries on the basis of number of incidents, the number of people killed and the number of terrorist deaths per population. India, as on its track record of last years continues to be under the extreme risk category in the terror index. The peace and tranquility would remain disturbed, unless India fights the spectre of terrorism resolutely by implementing full-scope preventive and reactive set of counter-terrorist strategies and measures.

There is no doubt among economists that wars, terrorism, and political instability have a significant negative effect on the economies in which they take place, This paper investigates both the consequences of terrorism and the mechanisms that transform it into economic damage. The objective of this study is to analyse several aspects of the macroeconomic consequences of terrorism against economic development of India.

ECONOMIC IMPLICATIONS

Terrorism and its economic implications on contemporary society has been one of the most pressing issues in the past decade. Terrorist attacks, whether local or international, cause immediate human, economic and psychological repercussions of differing intensity, However, their impact does not stop there since most costs come from the indirect repercussions, which can be seen to vary greatly, as "the indirect costs of terrorist attacks vary in their distribution across activities, sectors, countries and time".

In order to get a better idea of the amplitude of the economic consequences of terrorist attacks, there is a need to take a look at the primary impacts they have on the economy. It is a fact that terrorist attacks are generally a synonym for negative impact of economic growth. Terrorism has managed to maximize its capacities through the dynamics of globalization and become a major actor of disturbance for the Indian economy today. Therefore, it has become crucial to gather information about its economic impacts in order to inhibit terrorist groups and their supporting networks.

The economic impact might be in the way how it affects the revenues or how it enforces the new expenditures, which further results either in increased business activity for some industries or increased costs for others. According to Economists, the impacts of terrorism over Indian economy are varied. complex and wide. The already damaged Indian economy due to the global financial crisis is getting furthermore affected by the terrorist attacks, leaving enormous short-term and long-term implications.

UNTOWARD INFLUENCE ON ECONOMIC ACTIVITIES

Economists believe that the terrorist attacks will hurt the economy at a time when it is already weakening. The India Council for Research on International Economic Relations (ICRIER) has an estimate of the contribution of "external shocks" such as the financial crisis and the terror attacks. The New Delhi-based think-tank recently completed a study on the effect of external shocks on the country's GDP growth rate. According to Rajiv Kumar, director & chief executive of ICRIER, "ICRIER has been forecasting India's GDP growth rate with the use of leading indicators. These are variables that are considered to have significant influence on the future level of economic activity in the country.

ADVERSE IMPACT ON INDUSTRIES

The immediate impact of terrorism is destruction of property, loss of life, and loss of money, but their long term adverse impact is against industrial activities. The Jaipur serial blasts, J&K Terrorism & Mumbai 26/11 attacks did have immediate and concentrated impact on a number of industries suffered concentrated economic and job losses. Of course, regions or localities with heavy concentrations of these industries suffered disproportionately as well.

DAMAGE THE INFRASTRUCTURES

On November 26, 2008, well-trained militants came ashore from the Arabian Sea on small boats and attacked numerous high-profile infrastructural targets in Mumbai, with automatic weapons and explosives. Among the multiple sites attacked were two luxury hotels-the Taj Mahal Palace and the Oberoi-Trident-along with the main railway terminal, a Jewish cultural center, a café frequented by foreigners, a cinema house, and two hospitals. Thus, the terrorist attacks also damage economy directly by, destroying buildings and other infrastructures.

Attacks over hotels, railways, bus stations, stock exchange, bridges, hydel-power plants, worship-places, market places, tourist's places, parliament and other public places are some of the examples. The structural damage of post 26/11 attacks was amounting to total of INR 500 crores, which subsequently took its toll on the insurance industry.

DROPPING GLOBAL BUSINESS ACTIVITIES

Globalization has led the impact of these tremors to be felt even at remotest part of the world. Today every nation affects the implications of economic, social or communal unrest. India till Financial Year 2008 and had seen a steady growth with its GDP shining as high as 9.3% Post Kargil war, attack on Parliament, now 26/11 has lost millions of business as the trade link between the two countries are frozen during such period. Agri-exporters in bordering states have taken heavy burns. This has resulted in unemployment in these regions, which in turn again triggers riots. 26/11 attack involved foreign hostages and places where business leaders, executives and foreigners frequented. This leads to a drop in investments and global business activities. It also leads to erosion of FIL's & FDI's.

HORRENDOUS BUSINESS CAPITAL

Mumbai's economy, which contributes as much as 5% of India's \$ 1 trillion GDP and nearly a third of its direct taxes, stands as a beacon of India's success in integrating itself in the global economy. In the recent past, this has made the city a more attractive target for terrorists that desire to shed India's success. In 1993, 257 people were killed by series of bomb attacks and 65 killed in 2003. In July 2006, 209 people were killed as coordinated bombs ripped through commuter trains in the crowded city and 172 were killed in 26/11 attack. Due to such incidents that Mumbai has faced, it was difficult to become a prominent capital of Asian finance than rivals Hong Kong and Tokyo. Its stock exchange is among the world's busiest, its banking community is the envy of South Asia, and its restaurants and nightlife are comparable to those of any global cultural capital.

Table: Terrorist attacks in Mumbai

S.N.	Date	Incidence	Place	Death
1	12 March 1993	Series of 13 bombs go off	Mumbai	257
2	06 Dece. 2002	Bomb goes off in a bus	Ghatkopar	1
3	27 January 2003	Bomb goes off on a bicycle	Vile Parle	1
4	14 March 2003	Bomb goes off in a train	Mulund	10

5	28 July 2003	Bomb goes off in a bus	Ghatkopar	4
6	25 August 2003	Two Bombs go off in cars	Gateway of India & Zaveri Bazar	50
7	11 July 2006	series of seven bombs went off in trais	Mumbai	209
8	26-29 Nov 2008	Coordinate d series of attacks	Mumbai	172
9	13 July 2011	Bomb attacks	Mumbai	29

Source: http://en.siklopedia.org/wiki/Terroris_in_India

THREATEN TO HUMAN RESOURCE

The threat of terrorism over Human Resource is terrible. The most striking consequence of terrorist attacks is the human loss. Terrorism causes heavy civilian mortalities. The more fatalities caused by a terrorist attack, the greater a psychological effect it will have on the population. This might not seem like a direct economical consequence but panic actually influences the economy dramatically. Estimates are in past 5 years 4000+ were killed in terrorist attacks. This puts India next to Iraq both in terror deaths and terror incidents. The recent Mumbai itself left 257 to 300 dead and 700 injured which includes several high profile individuals such as Shri Ashok Kapur, chairman of Yes Bank, Ashok Kamte, additional commissioner of the Mumbai police, who were killed in attack.

UNCERTAINTY AND FEARFUL ENVIRONMENT

With all this loss that India incurred. it took a while for things to go back to the way. For three days after the incident, trains ran empty, schools and offices remained closed, and Bombay's residents, stayed indoors. On the next Friday afternoon, when some of the fear started to fade away and considerable public activity was witnessed, a false alarm about more armed gunmen at train stations sent back the city's residents into quivering fear. The heaviest loss of such attacks is uncertainty and fear, which adversely affects economic activities. Despite all these happenings, it is highly unlikely that economy is growing about 7 to 8% annually.

LEAD TO POLITICAL INSTABILITY

Terrorism also leads to political instability. The assassinations of two former prime ministers of India, Mrs. Indira Gandhi and Mr. Rajeev Gandhi, already had jolted Indian politics & economy at large. India a\had lst two of its strongest pillars which otherwise would have taken Indian politics, business and industry at unimaginable heights. Recently speaking the siege of

South Mumbai has taken toll as Home Minister Shivraj Patil, Chief Minister Vilasrao Deshmukh & Home Minister R.R. Patil had to resign. This further destabilized the Indian industry from a long-term perspective.

ECONOMIC COST OF TERRORISM

The economic cost of terrorism and counter-terrorism must be taken serious note of. The attacks had significant costs that should be estimated by subsequent economic losses in lost wages, workman's compensation, and reduced commerce. Terrorism once a companion of history is now an inevitable part of economics too, both in theory and practice. "The economic impact of terrorism can be calculated from a variety of perspective. There are direct costs to property and immediate effects on productivity, as well as longer term indirect costs of responding to terrorism. These costs can be calculated quite minutely.

In any part of the world terrorism is unwanted as it not only kills the human life but also the infrastructure, industry ultimately shackling its overall growth. India is facing the stings of terrorist activities recurrently, after its independence. Poverty, unemployment, inequality and other socio-economic issues are found intertwined with acts of violence and terrorism. Recent past years have been observed as the crucial time for Indian economy and analysts feel that the rear will continue to overshadow events for the long time. Leading indicators can predict future growth based on what has already happened in the past but cannot capture the impact of sudden external shocks which may have an immediate impact on the economy.

The recently published 'Task Force Report on National Security and Terrorism' by the Federation of Indian Chambers of Commerce and Industries (FICCI) reiterates that India is facing a 'new terrorism', which is more virulent, sophisticated and religiously motivated. However, to combat this menace, the Report observes, India lacks a robust and comprehensive counter terrorism strategy. The existing mechanism is mired by various systemic inadequacies and does not take into account the role of private sector and civil society in fighting terrorism.

On the other side, some economists believe that terrorism can't hamper our economic activities as it only destroys a small fraction of the stock of capital of our country. However, a broader look at the geo-political & economical scenario can easily erode this misconception. Even though, if terrorism represents a small fraction of the overall economic risk in India, it may have a large impact on the allocation of productive capital across the country.

Despite these threats economists here seem to be quite confident, that the government, with help of several counterterrorism measures, will successfully handle the state of affairs in near future and enable our economy picking up new heights in the near future. They believe that terrorism holds only short-term impact over the huge Indian economy, where the domestic market is believed to be large enough to support continues growth and are optimistic that their long-term prospects will remain strong enough to take the country out of the any economic thrift.

Yet, it can be noted that terrorism is now become an inevitable part of Indian economy. Therefore, while making any discussion on the conception of terrorism or making any decision there forth, we need to examine its economic its economic implications thoroughly. However, the economic implication of terrorism in our country is in alarming stage and needs to be averted.

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