**Guru Gobind Singh Public School**

**Sector 5/B , Bokaro steel city, Assignment 4**

**Ch. Economic Reforms since 1991**

Economic reforms or structural adjustment is a long term multi dimensional package of various policies (Liberalisation, privatisation and globalisation) and programme for the speedy growth, efficiency in production and make a competitive environment. Economic reforms were adopted by Indian Govt. in 1991.

**Factor's responsible for Economic reforms.**

1. Fall in foreign exchange reserve : as imports grew faster than exports

2. Adverse balance of payments resulted repayment crisis

3. Mounting fiscal deficit as govt. expenditure grew faster than revenue

4. Rise in prices , which has the negative impact on Investment.

5. Failure of public enterprises:- very low return on high Investment

6. Gulf crisis increases crude oil prices which negatively affected BOP.

7. High rate of deficit financing

**New Economic Policy**:- It refers to economic reforms introduced since 1991 to improve the productivity and profitability of economy and to make it globally competitive.

**Measures of New Economic policy**

**Stabilisation measures**: These are short run measures introduced by Govt to control rise in price, adverse balance of payment and fall in foreign ex-change reserve.

**Structural adjustment**: These are long run policies, aimed at improving the efficiency of the economy and increasing its international competiveness by removing the rigidity in various segment of the Indian economy.

In the new economic policy 1991, Structural reforms can be seen with respect to.

**1. Liberalisation.**

**2. Privatisation**

**3. Globalisation**.

**Liberalisation**

Liberalisation means removing all unnecessary control and restrictions like permits licences, protectionist duties quotas etc. In other words, It may defined as loosening of govt. regulation in a country to allow for private sector companies to operate business transactions with fewer restrictions.

**Objectives of liberalisation :-**

1. To decrease debt burden of the country

2. To expand size of the market

3. To increase competition among domestic industries

4. To encourage export and import of goods and services.

**Economic reforms under liberalisation.**

1**. Industrial sector reforms**

Abolition of Industrial Licensing

Decrease in the role of public sector

Dereservation of production by small scale industries

Price determination by market forces

Import of capital goods

2. **Financial sector reforms.**

Establishment of private sector banks

Change in role of RBI from regulator to facilitator

Foreign investment

Setting up new branches

3**. Fiscal reforms/Tax reforms**

Reduction in direct taxes

Reforms in indirect taxes

Simplification of tax paying procedure

Goods and Services Tax

4. **Foreign exchange reforms**

Devaluation of rupee

Determination of foreign exchange rate

5. **Trade and investment reforms.**

Dismantling of quantitative restriction on imports and exports

Reduction of tariff rates

Removal of tariff rates

Removal of licensing procedures for imports

Removal of export duties

**Privatisation**

Privatisation is the general process of involving the private sector in the ownership or operation of a state owned enterprises.

**Policies adopted for privatisation**

1. Contraction of public sector.

2. Abolish the ownership of Govt. in the management of public enterprises.

3. Sale of shares of public enterprises.

**Objectives of Privatisation**:-

1. Raising funds from Disinvestment

2. Improving the financial condition of the govt.

3. Bringing healthy competition within an economy

4. Making way for Foreign Direct Investment.

**Positive impact:** Improve the efficiency of management, Financial discipline, reduction in deficit, Competitiveness, Diversification of production, Increase in FDI.

**Negative Impact**: Neglect of social interest, Highly priced goods, Monopolistic Control, Hindrance in achieving the objective of full employment.

**Globalisation**

Globalisation may be defined as a process associated with increasing openness, growing economic interdependence and deepening economic integration in the world economy.

**Policy promoting globalisation.**

1. Increase in equity limit of foreign investment.

2. Partial convertibility.

3. Long term trade policy.

4. Modification of tariff.

5. Devaluation of rupee.

6. Modification in technology agreements.

**Outsourcing :** This is one of the important outcomes of the globalisation process.

It is emerging business activity. In outsourcing a company hires regular services from extern al sources, mostly from other countries.

**An Appraisal of LPG Policies**

1. Increase in foreign investment.

2. Increase in foreign exchange reserves.

3. A check of inflation.

4. Increase in national income.

5. Promotion of exports.

6. Control on fiscal deficit.

7. Reduction in deficit in balance of payments.

**Negative Impact:**

1. Neglect of agriculture.

2. Contradiction between Growth and Employment.

3. Low level of economic growth.

4. Adverse effect of disinvestment policy.

5. Increase in inequalities.

6. Ineffectiveness of fiscal policies.

**World Trade Organisation(WTO)**

World Trade Organisation, as an institution was established in 1995. It replaced General Agreement on Trade and Tariffs (GATT) .

The overriding objective of the World Trade Organisation is to help trade flow smoothly, freely, fairly and predictably; to meet its objective WTO performs the following functions:-

Administering W.T.O Trade Agreements.

Acting as a Forum for trade negotiations.

Settling and Handling Trade disputes

Monitoring and reviewing national trade policies,

Assisting the member in trade policies through technical assistance and training programmes

Technical assistance and training for developing countries.

Co-operation with other International Organisation

**Demonetization:** It is an act to cease a currency unit or to put an official stop on its status as a legal tender.

Objectives: To curb corruption, To stop use of currency for illegal activities, To stop accumulation of black money and bringing it back to the economy.

Features: Measure of tax administration, Control on black money, Credit creation, Cashless economy.

Advantages: Abolishes black money, Strengthen Indian banking system, Higher tax collections, Price cut in real estate, Corruption control, Cashless economy.

Disadvantages: Decrease in demand, Higher cost of printing new currency, Could not target the entire black money

1. Define the globalisation.

2. Privatisation has done more harm than good. Justify your answer.

3. Why should tariff and non-tariff barriers be removed to promote globalisation?

4. Why did the Indian Government need to borrow from international organisations?

5. Those Public Sector Undertakings which are making profits should be privatised. Do you agree with this view? Why?

6. In your opinion, what are the advantages of privatisation to the economy?

7. Write a brief note on trade and investment policy reforms. How did it lead to economic growth?

8. What were the objectives behind Trade and Investment Policy reforms?

9. Explain the changing role of state in Indian economy since introduction of reforms.

10 Evaluate the positive and negative impacts of LPG policy.

11. Write a brief note on International Bank for Reconstruction and Development (IBRD).

12. State with reasons whether you agree not, Globalisation does not have any effect on the service sector.

13. What are the features of NEP (New Economic Policy) of 1991?

14. What are the effects of economic reforms on the industrial sector?
15. How many countries are members of the WTO?
16. How was RBI controlling the commercial banks?
17. Why are tariffs imposed?
18. What is the meaning of quantitative restrictions?
19. Do you think outsourcing is good for India? Why are developed countries opposing it?
20. Discuss economic reforms in India in the light of social justice and welfare.
21. What are the major factors responsible for the high growth of the service sector?
22. Agriculture sector appears to be adversely affected by the reform process. Why?
23. Why has the industrial sector performed poorly in the reform period?
24. Discuss economic reforms in India in the light of social justice and welfare.