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Abstract: The New Economic Reforms have been brought around on the background and support of the Liberalization, Privatization and Globalization. The authors want to draw the attention of the readers towards the impact of New Economic Reforms on various fields like industries, trade, finance, agriculture and society at large. This paper highlights the positive as well as negative impacts of New Economic reforms.

Key Words: Economic Reform, Liberalization, Privatization, Globalization, Impacts of New Economic Reforms.

Introduction

The reform process in India was initiated with the aim of accelerating the pace of economic growth and eradication of poverty. The process of economic liberalization in India can be traced back to the late 1970s. However, the reform process began with interest only in July 1991. It was only in 1991 that the Government signaled a systemic shift to a more open economy with greater reliance upon market forces, a larger role for the private sector including foreign investment, and a restructuring of the role of Government.

The reforms of the last decade and a half have gone a long way in freeing the domestic economy from the control regime. An important feature of India's reform programme is that it has emphasized gradualism and evolutionary transition rather than rapid restructuring or "shock therapy". The economic reforms initiated in 1991 introduced far-reaching measures, which changed the working and machinery of the economy. These changes were pertinent to the following:

1. Dominance of the public sector in the industrial activity
2. Discretionary controls on industrial investment and capacity expansion
3. Trade and exchange controls
4. Limited access to foreign investment
5. Public ownership and regulation of the financial sector

The reforms have unlocked India's enormous growth potential and unleashed powerful entrepreneurial forces. Since 1991, successive governments, across political parties, have successfully carried forward the country's economic reform agenda.
Reforms in Industrial Policy-

With regard to the reforms in the Industrial policy it has been observed that it was restructured to a great extent and most of the central government industrial controls were abolished. In order to bring forth the element of competition and to increase efficiency in the industrial sector rules and regulations were changed. Industrial licensing by the central government was almost abolished except for a few hazardous and environmentally sensitive industries.

The list of industries reserved solely for the public sector - which used to cover 18 industries, including iron and steel, heavy plant and machinery, telecommunications and telecom equipment, minerals, oil, mining, air transport services and electricity generation and distribution was drastically reduced to only three; i.e. defense aircrafts and warships, atomic energy generation, and railway transport. The restrictions were withdrawn which were imposed on the import of foreign technology.

Reforms in Trade Policy-

As regards the reforms in the trade policy, it was realized that the import substituting inward looking development policy was no longer suitable in the modern globalizing world.

The trade policy was characterized by high tariffs and import restrictions before the reforms. The manufactured consumer goods were completely banned for import. However, capital goods, raw materials were freely importable with import licenses. The criteria for issue of licenses were non-transparent, implying the involvement of corruption and malpractices. The economic reforms sought to phase out import licensing and also to reduce import duties.

Thereafter, Import licensing was abolished for capital goods, which became freely importable in 1993. Quantitative restrictions on imports of manufactured consumer goods and agricultural products were finally removed on April 1, 2001, almost exactly ten years after the reforms began.

Financial sector reforms-

With regard to the financial sector reforms it has been observed that this sector is regarded as an integral part of the overall policy reforms in India. India has recognized that these reforms are imperative for increasing the efficiency of resource mobilization in the real economy and for the overall macroeconomic development and stability.

The reforms have focused a thrust towards liberalization and several initiatives such as liberalization in the interest rate and reserve requirements. At the same time, the government has emphasized on stronger regulation aimed at strengthening prudential norms, transparency and supervision to mitigate the prospects of systematic risks.

At present, the Indian financial structure is inherently strong, functionally diverse, and globally competitive. During the last fifteen years, the Indian financial system has been incrementally deregulated and exposed to international financial markets along with the introduction of new instruments and products.
Objectives Of New Economic Reforms

- The main objective was to plunge Indian economy into the arena of ‘Globalization and to give it a new thrust on market orientation.
- The New Economic Policy (NEP) intended to bring down the rate of inflation and to remove imbalances in payment.
- It intended to move towards higher economic growth rate and to build sufficient foreign exchange reserves.
- It wanted to achieve economic stabilization and to convert the economy into a market economy by removing all kinds of unnecessary restrictions.
- It wanted to permit the international flow of goods, services, capital, human resources and technology, without many restrictions.

What is LPG (Liberalization, Privatization and Globalization)

The last quarter of the 20th century has been a wave of economic policy reforms in the developing world, with one country after another taking the Liberalization cure, often imposed by the international financial institutions. This wave of reform had been preceded by a quarter-century of state directed effort at economic development, during which time the goals of economic self-reliance and import substitution industrialization were the hallmarks of development strategies in the less developed countries. These goals seemed particularly justified, given the long experience of these countries with colonialism and the agricultural nature of their economies.

Liberalization-
The term “liberalization” in this context implies economic liberalization. “Economic liberalization” constitutes one of the basic elements of the New Economic Policy (NEP) which the Indian Government launched in the middle of the year 1991. The other important aspects of the policy are –Privatization of the public sector, Globalization and market-friendly state.
The main thrust of the new economic policy is “liberalization”. The essence of this policy is that greater freedom is to be given to the entrepreneur of any industry, trade or business and that governmental control on the same be reduced to the minimum.

The main purpose of the process to economic liberalization is to set business free and to run on commercial lines. The underlying belief is that commerce and business are not matter to contained to fixed national boundaries; they are global phenomena. Here, artificial govt. restrictions which hinder economic and commercial activities and flow of goods and services must be removed.

Privatization-
Privatization is a managerial approach that has attracted the interest of many categories of people academicians, politicians, government employee players of the private sector and public on the whole.
Privatization has an adverse impact on the employee morale and generates fear of dislocation or termination more likely it also adds on to the apprehension pertaining to accountability and quality. Experts both advocate and criticize Privatization making it more or less provocative decision that calls for diligent scurrying by the decision makers in assessment of pros and cons attached to the concerned policy.

In India Privatization has been accepted with a lot of resistance and has been dormant initially during the inception period of economic Liberalization in the country. The article intends to analyze the present status of Privatization in India and summarize its advantages and disadvantages in the context of the Indian economy.

Privatization is also one of the aspects of the new economic policy which came to take shape in the decade 1990. Privatization refers to a process that reduces the involvement of the state, public sector in economic activities of a nation. The Privatization process in a mixed economy such as that of India includes:

- Decentralization the transfer of the ownership of productive assets to the private sector.
- Entry of private sector industries into the areas exclusive reserved for the state sector or which are considered exclusive monopolies of state.
- Limiting the scope of the public sector or no more diversification of existing public sector understandings.

Globalization-
Globalization represents one of the aspects of the new economic policy launched in the decades of 1980 and 1990s. The new economic policy has also made the economy out warmly oriented such that its activities are now to be governed both by domestic market and the world market. The general usages of the term Globalization can be as follows:

**Interaction and interdependence among countries**

- Integration of the world economy
- De terrorization
  
  “Globalization of product refers to the integration of economic activities by units of private capital on awaked scale. S.K Mishra and V.K. Puri stated that in simple terms Globalization means “integrating economy of a country with the world economy.“

In simple words, “Globalization refers to a process of increasing economic integration and growing economic interdependence between countries in the world economy”

**Impact of Liberalization on Indian Economy**-

- The low annual growth rate of the economy of India before 1980, which stagnated around 3.5% from 1950’s to 1980’s which per capita income averaged to 1.3%. At the same time Pakistan grew by 5%, Indonesia by 9%, Thailand by 9%, South Korea by 10% and in Taiwan by 12%.
• Only four to five licenses were given for Steel, Power and Communications, and the license owners built up a huge powerful empire.
• A huge public sector emerged.
• Infrastructure investment was very poor because of the public sector monopoly.

• License RAJ established the irresponsible self-perpetuating bureaucracy that still exists throughout many of the countries and corruption flourished under the system.

Impact of Privatization on Indian Economy-

• It has freed the resources for a more productive utilization.
• Private concerns tended to be profit oriented.
• Since the system becomes more transparent all underlying corruption are minimized and owners have a free reign and incentive for profit maximization.
• Gets rid of employment inconsistencies like free loaders or over employed departments reducing the strain on resources.
• There is a reduction in the government’s financial and administrative burden.
• Effectively minimizes corruption and optimizes output and functions.
• Private sectors have contributed a notable share in the economic development of the country.

Impact of Globalization on Indian Economy-

• Greater competition among producers resulting from globalization is a greater advantage to consumer as there is greater choice before them. Consumers now enjoy improved quality with lower price for several products.
• Due to globalization many Multi-National Companies (MNCs) have increased their investment amount in India. This means thousands of people are getting highly paid jobs and, enjoy much higher standard of living than it was possible earlier.
• Local companies supplying raw material, to these industries have prospered.
• Top India companies have benefited from increased competition. They have invested in newer technology and raised their production standards.
• Some Indian companies have gained from successful collaboration with foreign companies.
• Larger Indian companies have emerged as multinationals like Tata Motors.
• Globalization has also created new opportunities for Indian companies providing services, particularly in IT field. Services such as data entry, accounting, and administration task, are now being done cheaply in India and exported to the development countries. This has generated thousands of jobs.

Impacts of New Economic Reforms:

Scenario of Two Decades of Growth of Economic Indicators (**Factor cost & constant price2004-05**) after New Economic Reforms
<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth rate (%)</th>
<th>Agriculture (%)</th>
<th>Industry (%)</th>
<th>Mining and Quarrying (%)</th>
<th>Manufacturing (%)</th>
<th>Services (%)</th>
<th>Fiscal Deficit (% GDP)</th>
<th>Foreign Direct Investment (Growth %)</th>
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<td>1991-92</td>
<td>1.06</td>
<td>-2.31</td>
<td>0.34</td>
<td>3.36</td>
<td>-2.40</td>
<td>4.69</td>
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<td>5.48</td>
<td>7.06</td>
<td>3.22</td>
<td>0.92</td>
<td>3.09</td>
<td>5.69</td>
<td>5.19</td>
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<td>5.50</td>
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<td>7.38</td>
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<td>9.16</td>
<td>9.29</td>
<td>10.82</td>
<td>5.84</td>
<td>5.52</td>
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<td>5.87</td>
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<td>10.11</td>
<td>4.91</td>
<td>60.39</td>
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<td>1996-97</td>
<td>7.55</td>
<td>10.40</td>
<td>6.39</td>
<td>0.55</td>
<td>9.50</td>
<td>7.53</td>
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<td>-2.97</td>
<td>4.01</td>
<td>9.81</td>
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<td>8.93</td>
<td>5.66</td>
<td>40.33</td>
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<td>1999-00</td>
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<td>2.41</td>
<td>5.96</td>
<td>4.19</td>
<td>5.39</td>
<td>12.05</td>
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<td>6.03</td>
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<td>2001-02</td>
<td>4.82</td>
<td>6.46</td>
<td>2.61</td>
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<td>2.27</td>
<td>6.61</td>
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<td>7.89</td>
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<td>2004-05</td>
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<td>0.07</td>
<td>9.81</td>
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<td>2007-08</td>
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<td>6.34</td>
<td>9.67</td>
<td>3.69</td>
<td>10.28</td>
<td>10.27</td>
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<td>2008-09</td>
<td>3.89</td>
<td>-0.27</td>
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<td>2009-10</td>
<td>8.48</td>
<td>0.41</td>
<td>9.16</td>
<td>5.89</td>
<td>11.30</td>
<td>10.50</td>
<td>6.46</td>
<td>0.37</td>
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<td>2010-11</td>
<td>10.26</td>
<td>9.54</td>
<td>7.55</td>
<td>6.54</td>
<td>8.86</td>
<td>9.67</td>
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<tr>
<td>(t-stat)</td>
<td>2.106</td>
<td>0.243</td>
<td>3.180</td>
<td>0.518</td>
<td>1.403</td>
<td>3.05</td>
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<td>t-Critical one-tail (5%)</td>
<td>1.833</td>
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<td>1.833</td>
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<td>Result</td>
<td>$\frac{t}{te}&gt;0.05$</td>
<td>$\frac{t}{te}&lt;0.05$</td>
<td>$\frac{t}{te}&gt;0.05$</td>
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<td>$\frac{t}{te}&gt;0.05$</td>
<td>$\frac{t}{te}&lt;0.05$</td>
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</tbody>
</table>

Findings:

1. As far as the growth rate of the Gross Domestic Product (GDP) is concerned, the first decade (1991-2000) of the New Economic Reforms, has experienced the increasing trend in comparison to the second decade growth rate of the Gross Domestic Product (GDP). The economic development has a good speed in the first decade. However, the integrated growth was lacking, because in the Agriculture, Mining & Quarring and Manufacturing sectors there was a fluctuating trend. Moreover, the Foreign Investment could not attract much to the foreigners to invest in India. The Fiscal deficit has also negative impact on the Indian economy.

2. There was significant growth in the economic indicators like GDP, Industrial growth and Service sectors, while no significant growth was realised in Agriculture sector, Mining & Quarring, and Manufacturing sector. There was a major drawback in the foreign investment and found increased Fiscal Deficit in the Financial Years 2001 to 2010.

3. Urban Concentration of Growth Process: LPG policies have resulted in the concentration of growth process in urban areas. Think of any MNC, you will hardly find its trace in the rural areas of the country. All MNCs are focusing only on urban areas, where they find conducive infrastructural facilities. Consequently 'rural-urban gulf is widening. Any such economic dualism deepens social dualism as well. Any social dualism ultimately threatens the process of growth.

4. Economic Colonialism: India suffered nearly 200 years of political colonialism during the British rule. Now, while MNCs are dominating the Indian economy, we might suffer a sort of economic colonialism. Implying a situation where MNCs are exploiting the Indian markets to sell their products and in the process, domestic producers are being marginalized owing to their poor competitive strength.

5. Spread of Consumerism: Spread of MNCs in the country as a consequence of LPG policies. A variety of global brands in the market has lured the masses to become spend thrift, even beyond their means. The Indian society is fast adapting itself to the western culture, of spending through borrowing. This may expand size of the market for the traders and the manufacturers but certainly enhances vulnerability of the households as consumers. They become the victim of demonstration effect which enhances materialism but robs the peace of mind.

6. Cultural Erosion: Globalization has also caused cultural erosion of the Indian society. Economic prosperity has taken a lead over all other parameters of life. Everybody wants to be economically independent and well-off, regardless of his responsibility towards the family or the society. Loyalty towards the family and loyalty towards the society which used to be the strongholds of the Indian social culture are being surrendered as useless virtues in the wake of materialism.

7. Neglect of Agriculture: Growth of GDP has primarily been owing to a substantial growth of industrial sector. In the wake LPG policies, focus shifted from agriculture to industry. Consequently, growth rate in agriculture suffered a set-back. Set-back to agricultural sector implies a set-back to the principal source
of livelihood of the masses in India. Indeed neglect of agriculture implies spread of poverty. And it is pertinent to note that slow growth of agricultural sector (which presently is just about 2 per cent) must ultimately hinder the process of growth of the industrial sector as well. This is because:
(i) Agricultural sector is an important source of raw material for the industrial sector.
(ii) Agricultural sector is the principal source of labour supply to the industrial sector.
(iii) Agricultural sector offers a huge demand base for the industrial products like tractors and thrashers. As noted earlier, site in prices of agricultural goods has triggered a one in general price line. Presently, the rate of inflation being more than 6 per cent, and interest rates tending to rise, there is a serious threat to inducement to invest. If the existing trends continue, GDP growth rate may fall short of expectations.

Conclusion

The process of globalization through liberalization and privatization policies has produced positive as well as negative results both for India and other countries. Some scholars argue that globalization should de see as an opportunity in terms of greater access to global markets, high technology and increased possibility of large industries of developing countries to become important players in the international arena.

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