

# [Economic reforms](https://assignbuster.com/economic-reforms/)

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Vidalia. Talk Kumar, India was a latecomer to economic reforms, embarking on the process in earnest only in 1991, in the wake of an exceptionally severe balance of payments crisis. The need for a policy shift had become evident much earlier, as many countries in east Asia achieved high growth andpovertyreduction through policies which emphasized greater export orientation and encouragement of the private sector.

India took some steps in this direction in the sass, but it was not until 1991 that the government signaled a systemic shift to a more open economy with greater reliance upon market ores, a larger role for the private sector including foreign investment, and a restructuring of the role of government. Indian's economic performance in the post- reforms period has many positive features. The average growth rate in the ten year period from 1992-93 to 2001-02 was around 6. 0 percent, as shown in Table 1, which puts India among the fastest growing developing countries in the sass.

In sharp contrast, growth in the sass was accompanied by remarkable external stability despite the east Asian crisis. In addition, the annual average growth rate for the roods 2002-03 to 2011-12 is 7. 97 percent. Poverty also declined significantly in the post-reform period, and at a faster rate than in the sass according to studies. India still remained among the fastest growing developing countries in the second sub- period because other developing countries also slowed down after the east Asian crisis, but the annual growth of 5. Percent was much below the target of 7. 5 percent which the government had set for the period. Inevitably, this has led to some questioning about the effectiveness of the reforms. Opinions on the causes of the Roth deceleration vary. World economic growth was slower in the second half of the sass and that would have had some effect, but Indian's dependence on the world economy is not large enough for this to account for the slowdown.

However, the opposite view is that the slowdown is due not to the effects of reforms, but rather to thefailureto implement the reforms effectively. However, even a gradualist pace should be able to achieve significant policy changes over twenty years. This paper examines Indian's experience with gradualist reforms from this perspective. We review logic changes in Six major areas covered by the reform program: fiscal deficit reduction, industrial and trade policy, agricultural policy, infrastructure development and social sector development.

Based on this review, we consider the cumulative outcome of twenty years of gradualism to assess whether the reforms have created anenvironmentwhich can support increase in percentage of GAP growth, which is now the government largest target. Fiscal Discipline Fiscal profligacy was seem to have cause for balance of payments crisis in 1991 and reduction in fiscal deficit was therefore an urgent priority at the start of the reforms. By 1990, the current account and fiscal deficits had risen to 3. 5% and 9. 4% of GAP respectively, leading to the BOP crisis of 1991.