A history of india''s economic reforms

The economy of India is one of the fastest growing economies in the world. Since its independence in the year 1947, a number of economic policies have been taken which have led to the gradual economic development of the country. On a broader scale, India economic reform has been a blend of both social democratic and liberalization policies.

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 and poverty reduction through policies which emphasized greater export orientation and encouragement of the private sector. India took some steps in this direction in the 1980s, but it was not until 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

Economic reforms during the post independence period

The post independence period of India was marked by economic policies which tried to make the country self sufficient. Under the economic reform, stress was given more to development of defense, infrastructure and agricultural sectors.

Government companies were set up and investment was done more on the public sector. This was made to make the base of the country stronger. To strengthen the infrastructure, new roads, rail lines, bridges, dams and lots more were constructed.

During the Five Years Plans initiated in the 1950s, the economic reforms of India somewhat followed the democratic socialist principle with more emphasis on the growth of the public and rural sector.

Most of the policies were meant towards the increase of exports compared to imports, central planning, business regulation and also intervention of the state in the finance and labor markets. In the mid 50' s huge scale nationalization was done to industries like mining, telecommunications, electricity and so on.

Economic Reforms during 1960s and 1980s

During the mid 1960' s effort was made to make India self sufficient and also increase the production and export of the food grains. To make the plan a success, huge scale agricultural development was undertaken.

The government initiated the ‘ Green Revolution’ movement and stressed on better agricultural yield through the use of fertilizers, improved seed and lots more. New irrigation projects were undertaken and the rural banks were also set up to provide financial support to the farmers.

The first step towards liberalization of the economy was taken up by Rajiv Gandhi. After he became the Prime Minister, a number of restrictions on various sectors were eased, control on pricing was removed, and stress was given on increased growth rate and so on.

Economic Reforms during 1990s to the present times

Due to the fall of the Soviet Union and the problems in balance of payment accounts, the country faced economic crisis and the IMF asked for the bailout loan. To get out of the situation, the then Finance Minister, Manmohan Singh initiated the economic liberation reform in the year 1991. This is considered to be one of the milestones in India economic reform as it changed the market and financial scenario of the country.

Under the liberalization program, foreign direct investment was encouraged, public monopolies were stopped, and service and tertiary sectors were developed.

Since the initiation of the liberalization plan in the 1990s, the economic reforms have put emphasis on the open market economic policies.

Foreign investments have come in various sectors and there has been a good growth in the standard of living, per capital income and Gross Domestic Product.

Due to the global meltdown, the economy of India suffered as well. However, unlike other countries, India sustained the shock as an important part of its financial and banking sector is still under government regulation.

ACTION TAKEN BY CONGRESS REGIME UNDER P. V. N. RAO'S LEADERSHIP

P. V. N. Rao's major achievement is generally considered to be the liberalization of the Indian economy. The reforms were adopted to avert impending international default in 1991. The reforms progressed furthest in the areas of opening up to foreign investment, reforming capital markets, deregulating domestic business, and reforming the trade regime. Rao's government's goals were reducing the fiscal deficit, Privatization of the public sector, and increasing investment in infrastructure.

The major economic policies adopted by Rao include:

Abolishing in 1992 the Controller of Capital Issues which decided the prices and number of shares that firms could issue.

Introducing the SEBI Act of 1992 and the Security Laws (Amendment) which gave SEBI the legal authority to register and regulate all security market intermediaries.

Opening up in 1992 of India's equity markets to investment by foreign institutional investors and permitting Indian firms to raise capital on international markets by issuing Global Depository Receipts (GDRs).

Starting in 1994 of the National Stock Exchange as a computer-based trading system which served as an instrument to leverage reforms of India's other stock exchanges. The NSE emerged as India's largest exchange by 1996.

Reducing tariffs from an average of 85 percent to 25 percent, and rolling back quantitative controls. (The rupee was made convertible on trade account.)

Encouraging foreign direct investment by increasing the maximum limit on share of foreign capital in joint ventures from 40 to 51 percent with 100 percent foreign equity permitted in priority sectors.

Streamlining procedures for FDI approvals, and in at least 35 industries, automatically approving projects within the limits for foreign participation.

The impact of these reforms may be gauged from the fact that total foreign investment (including foreign direct investment, portfolio investment, and investment raised on international capital markets) in India grew from a minuscule US $132 million in 1991-92 to $5. 3 billion in 1995-96.

ROLE OF A. B. VAJPAYEE'S

Vajpayee oversaw his National Highway Development Project and Pradhan Mantri Gram Sadak Yojana begins construction, in which he took a personal interest.

Vajpayee promoted pro-business, free market reforms to reinvigorate India's economic transformation and expansion that were started by former PM Narasimha Rao but stalled after 1996 due to unstable governments and the 1997 Asian financial crisis

Increased competitiveness, extra funding and support for the information technology and high-tech industries, improvements in infrastructure, deregulation of trade, investments and corporate laws – all increased foreign capital investment and set in motion an economic expansion.

Vajpayee's administration earned the ire of many unionized workers groups and government workers for their aggressive campaign to privatize government owned corporations.

In March 2000 Bill Clinton, the President of the United States, paid a state visit to India. His was the first state visit to India by a US President in 22 years. President Clinton’s visit to India was hailed as a significant milestone in the relations between the two countries. The Indian Prime Minister and the U. S. President discussed strategic issues, but the chief achievement was a significant expansion in trade and economic ties.

In 2001, the Vajpayee government launched the Sarva Shiksha Abhiyan, which aimed at improving the quality of education in primary and secondary schools.

WHAT CAN BE DONE

Downsize overstaffed public institutions, particularly at state and local levels.

Allow pension funds to invest in stocks.

Further reduce import duties and restrictions.

Invest in infrastructure and education, as a recent survey of global CEOs cited.

Infrastructure and poor skill level as the two leading deterrents.

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