

Impact of Economic Reforms

Economic reforms were introduced in India in 1991 to check the declining performance of Indian economy at home and abroad. The measures taken were privatization as a part of liberalization to integrate into the world economy so that India does not fall behind in the process of globalization. Our liberalization remained partial and so was its impact. The economic reforms could not touch the poorest of the poor. The gap increased between the rich and poor. Moreover the tensions also grew in the society.

A system of mixed economy was adopted in India after independence. Public sector and private sectors coexisted with the primacy of public sector. Infrastructure and various other sectors remained under the purview of public sector. Basic and heavy industries, were set up in iron and steel, and power sectors. Private initiatives were also encouraged but the emphasis and primacy was towards centralized and common economy through five year plans guided by Planning Commission and National Development Council. The banks were nationalised and the goal was towards socialistic pattern of society.

In due course of time our institutions became stagnant, corrupt and inefficient due to permit raj and centralized control. Then the liberalisation process became inevitable. Liberalisation enhances economic activities. It encourages initiative, entrepreneurship and competition which is very vital for growth of the economy. The liberalisation process has been evident since 1985 but since 1991 it has come out with good pace. In 1991 the condition of our economy was very critical. Foreign reserves was at the lowest level. Balance of payment not good. Inflation was in double digits. Rupee had become weak in international markets. Devaluation of the rupee and structural adjustment was made. Privatisation of the economy took place on many fronts. Private sector has been allowed to operate in infrastructure sector, e.g., power. Subsidies were cut as per the conditions of IME.

Economic reforms were mainly on the industrial front. Industrial relicensing was followed in many industries. Permit raj was abolished. It attracted foreign investors due to simplification of procedures. Both types of investments, i.e., Foreign Direct Investment and portfolio investment started coming to Indian economy. Foreign institutional investors also started investing. All these investments increased the economic activities which led to rise in growth rate and lowering of inflation rate. At present the inflation rate is less than five percent. Our foreign reserves increased and balance of payment is better. The

trend is towards privatising all the sectors except few. The efforts are towards privatising even insurance sector. But it has to be done on gradual scale. Foreign equity participation is increasing. Disinvestment of shares is also taking place.

Economic reforms has not touched agriculture sector to greater extent. Though the agricultural production is increasing still we have to import some of the food grains. The impact of economic reforms has been partial. Also, all is not well with the economic reforms. The subsidies on fertilizers and food have been cut which directly affect the small and marginal farmers and poor people. The reforms have not improved the conditions of the poor. The rich have become richer and poor have become poorer. Reforms have helped those who are already in that stage to avail the benefits. It has opened avenues. But how can poor avail it. Our imports have increased in want of latest scientific and technological knowledge. In the same ratio exports have not increased.

Due to reforms multinational corporations are coming to this country in large numbers. They are being allowed even in consumer items which is eating our indigenous industries due to better quality products. For science and technology, e.g., computer chips they are welcome but not on potato chips. We have enough resources to provide better consumer products. Also due to inflation explosion, our electric media values and cultural practices are getting eroded. Western values are setting in and consumerist needs are being developed among people which is really bad for Indian society. This is leading to earning money by any means. This will help in increasing corrupt practices. It can instill materialist tendencies which is already pervading in metros and also the impact of obscene films through foreign channels can be devastating for young minds. MNCs can exacerbate the already existing social tensions. Its impact increases the social and economic inequalities.

The impact of economic reforms are mixed. Some of its effects are really helping and positive as it increases initiative and entrepreneurship qualities provided taken in that spirit. If the intention is just to consume whatever comes from the West, then it is harmful. At the same time state's strategic intervention is essential because more than 40% of people live below poverty line. Many of the national problems like education and population need urgent attention. They have to be regulated and direct intervention is called for. The help of private sector should be taken to remove the problem of illiteracy, infrastructure development, power distribution, etc. but under the government control. The efforts should be made towards making the public sector institutions effective and efficient. We have to emphasise on quality in order to compete otherwise we will perish in international markets as well as on home markets.

