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IMPACT OF ECONOMIC REFORMS ON INDIAN ECONOMIC GROWTH

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Abstract:-Economic reforms refer to change on the economic system. Economic reforms play a very important role for the development. The reforms have also remarkable change in the Indian mindset as it deviates from the traditional values. The impact of ten years of economic reforms in India on the policy environment presents a mixed picture, industrial and as well on trade policy.
Keywords – liberalization, privatization, globalization, MNCS etc.

Introduction

Economic reform refers to change in the economic system/functioning of any country. By which a country can be moving from under developing and developing towards developed. As we all know that "India" is a developing not developed country. In this situation where the development of any country going onwards .Economic reforms play a very important role for the development. According to new economic reforms, Indian economic had changed major policy in early 1990s, known as liberalization, privatization and globalization. This (LPG MODEL) aimed at making the Indian economic as fastest growing economy and globally competitive with respect to industrial sector, trade as well as financial sector.

With the onset of reforms to liberalize the Indian economy in July of 1991 new chapter has dawned for India and her billion plus population. This period of economic transition has developed overall major sectors of the economy, and its effect over the last decade can hardly be overlooked and it also marks the ardent of the real integration of the Indian economy into the global economy. The reforms has also remarkable change in the Indian mindset as it deviates from the tradional values held since independence in 1947, such as self reliance and socialistic polices of economic development, resulted in the isolation , overall back wardness and inefficiency of the economy.

Globalization has many definition are worth viewing. Guy Brainbant! Says that the process of globalization not only includes opening up of the world trade, development of advanced mans of communication, internationalization of financial markets , growing importance of MNCS, population migrations and more generally increased mobility of persons, goods, capital, data and ideas but also infection, disease and pollution. The term globalization refers to the integration of economies of technology and knowledge. New technologies have been imported at a rapid place, quality is being upgrade all around. The removal of licensing has speed up firms reactions increased competition and has made growth the only protection against competition. The removal of import licensing and lowering of the tariffs have helped exporters compete internationally and facilitated value added exports. There has been considerable increase in the investment levels, foreign investment and reduction in the formalities to be fulfill after the onset of economic reforms in India.

I. Companies, no longer, feel shy of restructuring, merging and acquisitions.
II. Many industries are now directing their efforts towards the world market.
III. An improvement in work culture has been notice. The workers have become more quality and cost conscious.
IV. Many entities have graduated from being labour intensive to capital intensive.
V. Trade union and workers have not responded in a much hostile manner to the economic reforms.
VI. There has been much awareness and stress on quality.
VII. There has been much awareness and acceptance of the role of scale economies,

rapid technological growth and increases productivity.

VIII.Corporate are going in far aggressive brand building in an increasingly competitive market place.

These positive developments have encouraged the country to think in terms of strengthening these reforms further and move to second generation reforms.

However, there are certain hurdles, which have to be clear first. Following are :-

I.**Failure to achieve fiscal discipline to the targeted level :-**

Failure deficits are still very high and we need to reduce them. This requires improving tax administration reducing subsides, downsizing of government and re- priorities plan schemes.

II.Failure to implement fully industrial deregulation :-

Dismantling of industrial licensing and opening of industry to foreign investment was an important part of first generation reforms we have progressed a lot in this direction. However, investors still face many problems in implemental projects moreover, these are some areas of industrial deregulation where further action is needed.

III. Not fully opening the economy to trade :-

Trade policy reform has also made progress, thought pace has been slower than in industrial liberalization. Before the reforms, trade policy was characterized by high tariffs and pervasive import restrictions. Imports of manufactured consumer goods were completely banned. Although India's tariff levels are significantly lower than in 1991, they remain among the highest in the developing works because most other developing countries have also reduced traffic in this period. The govt. has announced that average tariff will be reduce to around 15 percent by 2004, but tariff in India will be much higher than in china, which has committed to reduce weighted average duties to about a percent by 2005.

IV. Adhoc and unplanned disinvestments :-

The programme of privatization and disinvestment has been carried out in an unplanned manner. Lake of transparency these programmes have led to suspicion in the minds of public. They have begun to question the need of economic reforms and privatization. Therefore, it is necessary that the manner of the disinvestment and the rational of the specific choice should make transparent.

V. Slow financial sector reforms :-

Financial sector and banking reforms need to be push further. Wide-ranging financial sector reforms in the banking capital market, and insurance sector, including the deregulation of interest rates, strong regulation and supervisory systems and the introduction of foreign private sector competition.

VI. Financial of infrastructure :-

Achieving rapid growth of the economy requires a very high quality if infrastructure. Our infrastructure consisting of roads, power, ports, telecommunication, etc is inadequate. These are severe shortages in quality and equally serious deficiencies quality. Public investment will continue to have an important role in all these areas, but the scale of the need is such that it must be supplement by private investment.

In addition to the above, we need to

- Reforms in agriculture
- Growth of slum capitals.
- Growth of unemployment poverty
- Reforms in social services, development in wealth and education.

Suggestions :-

The central govt's efforts must be directed primarily towards revenues. Total tax revenues of the centre were 9.7 % of GDP in 1990-91. They declined to only 8.8 percent in 2001-01. They should have increased by at least two percentage points. Tax reforms involving lowering of tax rates, broadening the tax base and reducing loophots were expected to raise the tax ratio. In case of personal and corporate income taxation but indirect tax have fallen as a percentage of GDP. State govt. also needs to take corrective steps. Sale tax systems need to be modernize in most states. Agriculture income tax is constitutionally assigned t the the states, but no states has attempted to tax agriculture income. Urban property taxation could yield much larger resources for municipal governments if suitably modernize, but this tax base has have also been generally neglected. State govt. suffers from very large losses in state electricity boards (about 1% of GDP) and substantial; losses in urban water supply, state road transport corporation and in managing irrigation system.

The industrial structure that evolved under this regime was highly inefficient and needed to be supported by a highly protective trade police.

Conclusions

The impact of ten years of economic reform in India on the policy environment presents a mixed picture, industrial and trade policy reforms have gone for; liberalization also needs to be extended to agriculture, reforms aimed at encouraging private investment in infrastructure have worked in some areas but hot in others. Progress has been notice in several areas of financial sector reforms. The goals were often indicated only as a boar direction, with the precise end point and the pace of transition left unstated to minimize opposition. The growth should be sustainable with human development and descent employment potential. The welfare of a country does not from began top, should be built upon development from the bottom.

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