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Study of unfinished agenda of Economic Reforms in India.

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Introduction

India has three different perspectives: first- domestic, second-external and third- global perspective. There is a need to integrate all the perspectives to see the Indian outlook in view of the rapidly changing global environment, into the future, tasks ahead and the challenges before the economy. However, first, we also need to take stock of the economic reforms of the last two decades, which have been discussed, but in separate sections, being multi-sectoral in nature.

As we had discussed the global transition, post-Independence, the economic reforms of 1991 can be said to be transition towards a newer India, shift in the outlook and a different orientation from the previous inward-looking to outward-looking. It is also a reflection of the mood of the government of greater faith in the market and private players and their larger role in the economy. Here, an attempt is being made to provide a holistic and comprehensive review of the economic reforms initiated since 1991.

Even though it is widely believed that 1991 was the beginning of reforms in India, reforms date back to previous years. However, these were piecemeal, specific and micro-oriented and were witnessed more as 'changes' rather than reforms. The policy of 1991 marked the character of 'changes' changing to 'reforms', reflecting a district priority and documented as a policy not done earlier.

The other aspect of the reform is that they were largely initiated by the BOP crisis, necessitating pledging of gold by India and the resultant loan from the IMF, which has led to the initiation of economic reforms of 1991. Economic reforms are the process, the commencement of a journey and is a continuous process, shifting gears and moving to next levels in the journey. As an economy, this journey can never end and neither can reform. There can be a slowdown, a pause, but eventually would have to be resumed again.

First-And-Second Generation Reforms:-

Though reforms are genetic but governments for their own understanding prefer to use terminologies 'first-and-second generation reforms'. First generation reforms are the first level, central government-driven, directed at addressing the cause of the crisis, structural rigidities in different product markets such as industrial, trade and financial sectors of economies. These are also those which can be implemented with relative ease, through an administrative order of the government and quick to deliver results.

The second generation reforms run deeper into the economy beyond the product markets, requiring involvement of the state governments and broad level consensus across political parties. These are also time-consuming as they may require amendments and changes in many legislations and various acts. They could address areas such as labour reforms, exit policy privatization, competition policy, etc.

The main distinction between the two lies in their priority and ability to implement and deliver with ease. They are not sequential and can be undertaken simultaneously. It depends on how critical they are and the general levels of acceptability within the government and the political system.

Where the economic reforms have not delivered?

What we have just covered is the positive side of the reforms, however, it also has shades of grey areas which is a matter of concern.

1. The overall growth even though from the past and also in relation to other economies, has been fairly uneven, or exclusive but not inclusive.
2. The benefits of growth have been confined to a few not broad-based to benefit the masses.
3. It is not led to the desired degree of expansion in employment opportunities, normally associated with, high levels of growth. Employment in the manufacturing sector has stagnated.
4. The growth has been highly skewed, accentuating inter-state and intra-state inequalities. It has virtually left the (Bihar, MP, Assam, Rajasthan, Uttar Pradesh) states untouched.
5. The 'license Raj' has been abolished but replaced by a bigger hindrance of the 'inspector Raj'.
6. Bureaucratic control has solely changed its face has moved from direct to indirect such as pollution control boards, environmental clearances, etc.
7. Levy and collection of excise duties is still complex.
8. The earlier nexus between the politics and business, despite the reform process, has only got stronger.

The above has not happened essentially because the government has virtually pressed the 'pause' button of economic reforms with a large unfinished agenda of:

1. The government could be said to have gone 'soft' on bolder reforms. Labour market reform, which is not even being considered by the government, despite it being fundamental, in the changed circumstances and to provide the much needed link between growth and employment opportunities.
2. Further, unshackling the private sector from the myriads of indirect interface with the government.
3. Bringing on board the state governments to share the passion of driving the reforms deeper across states.
4. Pushing through to make the NCLT functional at the earliest as it is one of the components of an exit policy, seen as a facilitator to the process of liberalization.
5. Privatization has virtually been put on the back burner with only disinvestment in public sector being considered. This is a retrograde step and at least a platform should be created for building a broad-based consensus.
6. Loss-making public sector continues to act as a drain and no efforts made to see how they can be integrated in a liberalized market economy.

7. The banking sector despite reforms is largely dominated by the public sector and no efforts at their consolidation or privatization for their long-term sustainability.
8. Efforts at reforms in the insurance sector have been half-hearted, with the dominance of the government, despite the fact that insurance in market is fairly under developed and lacking penetration.
9. The FDI policy still has a number of structural issues and potential road blocks to foreign investment. FDI in organized retail, raising sectoral caps for insurance business by foreign companies are key aspects of reforms.

Conclusions:-

Economic Reforms in India have started been following the various stages, but it has been given stress from 1991 and several positive effects are implemented. Even though many could not be touched yet due to several causes. Hence, un-finished agenda of the Economic Reforms could be seen.

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