Unit (VI)
Economic Reforms Since 1991

Key points :

Economic feforms or structural adjustment is a long term multi dimensional package of various policies (Liberalisation, privatisation and globalisation) and programme for the speedy growth, effeciency in production and make a competitive enviornment. Economic reforms are adopted by Indian Govt. in 1991.

Factor's responsible for Economic reforms.

1. Fall in foreign exchange reserve.
2. Adverse balance of payments
3. Maunting fiscal deficit.
4. Rise in prices
5. Failure of public enterprises.
6. Gulf crisis.

* Stabilisation measures : - These are short run measured. Indroduced by Govt to control rise in price, adverse balance of payment and fall in foreign exchange reserve.
* Structural adjustment : These are longrun policies the goal of structurcal reforms is to abolish controls, eliminate bereocratic hurdus. and redtapism and make the decision making process efficient and transparent.
* In the new economic policy 1991, Structural reforms can be seen with respect to :

1. Liberalisation.
2. Privatisation
3. Globalisation.

Liberalisation means removing all unnecessary control and restriction like permits licenses. protectionist duties quotas ect.

Economis reforms under liberalisation.

1. Industrial sector reforms
2. Finincial sector reforms.
3. Fiscal reforms.
4. Foreign exchange reforms.
5. Trade and investment reforms.

* Privatisation is the general process of involving the private sector in the ownership or operation of a state owned enterprises.

Policies adopted for privatisation

1. Contraction of public sector.
2. Abolish the ownership of Govt. in the management of public enterprises.
2. Sale of shares of public enterprises.

* Globalisation :- Globalisation may be defined as a process associated with increasing openness growing economic interdependence and deepening economic integration in the world economy.

Policy promoting globalisation.

1. Increase in equity limit of foreign investment.
2. Partial convertibility.
3. Long term trade policy.
4. Reduction in tariff.

An Appraisal of LPG Policies

Positive Impact

1. Increase in foreign investment
2. Increase in foreign excharge reserves
3. A check of inflation.
4. Increase in domestic product.
5. Increase in exports.
6. Consumer sovereignity.

Negative Impact.

1. Neglact of agriculture
2. Increase in competition for domestic industry.
3. Increase in urbanisation.
4. Diseffect of disinvestment policy.
5. Spread of consumerism.
6. Cultural erosion.

1 MARK QUESTIONS

1. State the meaning of economic reforms.
2. How does increase in fiscal deficit creats the requirement of economic reforms?
3. State the name of economic reform which makes free to economy from direct or physical controls imposed by the Govt.
4. What is meant by foreign exchange reserve?
5. Why the requirement of fiscal reforms arose under liberalisation?
6. What is meant by direct tax?
7. Define indirect tax with the help of example.
8. What is meant by develuation?
9. State the meaning of privatisation.

10. What is meant by globalisation?
11. What benefit goes to domestic Industries of reduction in tariff?

3/4 MARKS QEUSTIONS

1. What is meant by economic reforms? Write the measures adopted under economic reforms.
2. What is meant by adverse balance of payments. How does adverse balance of payments creats the requirement of economic reforms?
3. How is the insuffecient production of public sector enterprises become a main cause of adoptation of economic reforms?
4. what's meant by liberalisation? State the measures adopted for liberalisation under economic reforms.
5. Define privatisation. State the measures adopted for privatisation.
6. Explain the meaning of globalisation and as the main result of this policy explain the outsourcing.
7. Write any four agrument in favour of economic reforms.
8. State any four negative impact of economic reforms.

5/6 Marks questions

1. Explain the requirement of economic reforms adopted in 1991.
2. Explain the measures taken for globalisation of economy.
3. State the meaning of liberalisation and explain the measures adopted for liberalisation.
4. Explain the positive impact of economic reforms over Indian economy.
5. Explain the negative impact of economic reforms.

ANSWER OF ONE MARK QUESTIONS

1. Economic reforms refers, those measures which are adopted for the speedy growth of economy, efficiency in production and make a competitive environment.
2. Due to increasing fiscal deficit the interest paid by the Govt. for the borrowings become 36.4% of the Govt. expenditure. So economic reforms become essential for the Govt.
3. Liberalisation.
4. Stock of foreign currency held with the Govt. at given point of time called foreign exchange reserve.
5. Prior to liberalisation, tax structure was highly complicated and evasive. Fearing a heavy burden of taxation it promote evade the payment of tax, so tax reforms become essential for the Govt.
6. Direct taxes are those taxes, the burden of which can not be shifted on to other's eg. Income tax.
7. Indirect taxes are those taxes the burdon of which can be shifted on to other for example sales tax.
8. Devaluation refers to lowering in the official value of a currency with respect to gold or foreign currency.
9. Privatisation is the general process of involving the private sector in the ownership of operation of a state owned enterprises.
10. Globalisation may be defined as a process associated with increasing open ness growing economic interdependence and deepening economic integration in the world economy.
11. Due to reduction in tariff, imports becomes cheaper and profit margin increase on exports for domestic industries.