Economics , Class-12th , Ch-6 , Notes

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

Factor's responsible for Economic reforms.
1. Fall in foreign exchange reserve : as imports grew faster than exports
2. Adverse balance of payments resulted repayment crisis
3. Mounting fiscal deficit as govt. expenditure grew faster than revenue
4. Rise in prices, which has the negative impact on Investment.
5. Failure of public enterprises:- very low return on high Investment
6. Gulf crisis increases crude oil prices which negatively affected BOP.
7. High rate of deficit financing
8. Collapse of soviet block.

New Economic Policy:- It refers to economic reforms introduced since 1991 to improve the productivity and profitability of economy and to make it globally competitive.

Measures of New Economic policy

<u>Stabilisation measures:</u> These are short run measures introduced by Govt to control rise in price, adverse balance of payment and fall in foreign ex-change reserve.

<u>Structural adjustment:</u> These are long run policies, aimed at improving the efficiency of the economy and increasing its international competiveness by removing the rigidity in various segment of the Indian economy.

In the new economic policy 1991, Structural reforms can be seen with respect to.
1. Liberalisation.
2. Privatisation
3. Globalisation.

Liberalisation
Liberalisation means removing all unnecessary control and restrictions like permits licences, protectionist duties quotas etc. In other words, It may defined as loosening of govt. regulation in a country to allow for private sector companies to operate business transactions with fewer restrictions.
Objectives of liberalisation :-
1. To decrease debt burden of the country
2. To expand size of the market
3. To increase competition among domestic industries
4. To encourage export and import of goods and services.

Economic reforms under liberalisation.
1. Industrial sector reforms

- Abolition of Industrial Licensing
- Contraction off Public Sector
- Freedom to Import capital goods

2. Financial sector reforms.

- Reducing various Ratios(SLR, CRR)
- Change in role of RBI from regulator to facilitator
- De-regulation of interest rates

3. Fiscal reforms/Tax reforms
4. Foreign exchange reforms

- Devaluation of rupee

5. Trade and investment reforms.

Privatisation
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.
3. Sale of shares of public enterprises.

Objectives of Privatisation:-
1. Raising funds from Disinvestment
2. Improving the financial condition of the govt.
3. Bringing healthy competition within an economy
4. Making Way for Foreign Direct Investment

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

1. Increase in foreign investment.
2. Increase in foreign exchange reserves.
3. A check of inflation.
4. Increase in national income.
5. Increase in exports.
6. Consumer sovereignty.

Negative Impact:

1. Neglect of agriculture.
2. Jobless growth.
3. Increase income inequalities.
4. Adverse effect of disinvestment policy.
5. Spread of consumerism.
6. Cultural erosion.
7. Encourages economic colonialism

-