The major contribution to invisibles receipts in India has been services exports followed by transfers and income.

The growth of net invisibles, invisible receipts and payments witness that India’s invisible trade always generated surplus except the year 1990-91.

CHAPTER VI

MACRO ECONOMIC OVERVIEW OF INDIAN ECONOMY

SINCE 1991

There have been several interesting developments in the Indian economy in recent years. Substantial market friendly reforms initiated in 1991 created a favourable economic environment for high rates of growth in the economy. The fascinating aggregate growth makes India currently the second highest growing economy in the world, next only to China. The pessimism that prevailed during the period 1997-2002 about the economy’s growth rate being stuck at a moderate level of 5-6 per cent has been replaced by a new optimism for a higher growth. Exports have surpassed the target and foreign demand has contributed substantially to the GDP acceleration- reflecting greater integration of the Indian economy with the world economy. New policy initiatives have been undertaken to introduce fiscal discipline, especially at the state level. Another major
step has been the enactment of the Rural Employment Guarantee Act which, if implemented properly, could substantially benefit the poor. Yet, there is a disquieting feeling that the growth process has not benefited all sections of the people. In line with the tradition of viewing growth and social justice as the twin major objectives of economic policy formulation, the approach paper to the Eleventh Plan advocates for a ‘more inclusive’ growth process to bridge the current ‘divides’ even as it targets for a faster growth rate of 9 per cent. It is against this backdrop that the chapter reviews the macroeconomic developments in India from 1991 onwards.

The macroeconomic performances of various variables are presented in Table 6.1 to make a bird’s eye view of the performance of Indian economy since 1991.
GDP Growth

There is no doubt that economic reforms are able to promote a relatively higher growth. After the teaching troubles of the first two years viz 1991-92 and 1992-93 the growth rate during 1993-94 to 1997-98 has averaged to 7 per cent per annum. If we compare the annual growth rate during the pre reform period (1980-81 to 1990-91) it was 5.2 per cent per annum, but during the post reform period from (1990-91 to 2008-09), it was 6.42 per cent. However, there is a distinct improvement in growth rate of GDP during the 8- year period (2001-02 to 2008-09) to an average of 7.3 per cent. This is welcome phenomenon.

Economic Reforms Income Inequality and Poverty

Since the structural reforms adversely affected poor in many countries it was expected to happen in India also. In the tables 6.2 and 6.3 the 61st Round of NSSO
provides estimates of poverty for the year 2004-05 on the basis of two methods (i) Uniform Recall Period (URP) method and (ii) Mixed Recall Period (MRP) method. According to URP method the percentage of people below the poverty line was 36.0 in 1993-94 and this fell to 27.5 in 2004-05. On this basis, the government has claimed that economic reforms have helped in reducing the levels of poverty in the country. However, a number of economists have contested this claim. According to them, the methodology for computation of poverty levels is defective and there is a contamination of consumers spending data. The fact is that agricultural sector has registered a highly unsatisfactory growth performance, unemployment has increased and inflationary pressures in the economy till very high. Given these conditions, poverty must have actually increased.

| TABLE 6.2 |
| CM |
| **RURAL AND URBAN POVERTY LEVEL IN INDIA FROM 1973-74 TO 2004-05** |

<table>
<thead>
<tr>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
<td><strong>No.of Persons (Lakhs)</strong></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Regarding income inequalities would grow as it happened in Latin America and East Asian countries. Expenditure provided in World Development Report 2001 confirms these expectations since Gini index of distribution of consumption has been reported to be 33 in 1999-2000 as against 29.7 in 1994.

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-74</td>
<td>2612.90</td>
<td>56.44</td>
<td>49.63</td>
<td>600.46</td>
<td>49.01</td>
<td>56.64</td>
</tr>
<tr>
<td>1983-84</td>
<td>2519.57</td>
<td>45.65</td>
<td>89.50</td>
<td>709.40</td>
<td>40.79</td>
<td>115.65</td>
</tr>
<tr>
<td>1993-94</td>
<td>2440.31</td>
<td>37.27</td>
<td>205.84</td>
<td>763.37</td>
<td>32.36</td>
<td>281.35</td>
</tr>
<tr>
<td>1999-00</td>
<td>1932.43</td>
<td>27.09</td>
<td>327.56</td>
<td>670.07</td>
<td>23.62</td>
<td>454.11</td>
</tr>
<tr>
<td>2004-05</td>
<td>1702.99</td>
<td>21.80</td>
<td>356.30</td>
<td>682.00</td>
<td>21.70</td>
<td>538.60</td>
</tr>
<tr>
<td>(Based on MRP Consumption)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004-05</td>
<td>2209.24</td>
<td>28.30</td>
<td>356.30</td>
<td>807.96</td>
<td>25.70</td>
<td>538.60</td>
</tr>
<tr>
<td>(Based on URP Consumption)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### TABLE 6.3

**COMBINED RURAL AND URBAN POVERTY LEVEL IN INDIA FROM 1973-74 TO 2004-05**

<table>
<thead>
<tr>
<th>Year</th>
<th>No.of Persons (Lakhs)</th>
<th>% of Persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-74</td>
<td>3213.36</td>
<td>54.88</td>
</tr>
<tr>
<td>1983-84</td>
<td>3228.97</td>
<td>44.48</td>
</tr>
<tr>
<td>1993-94</td>
<td>3203.67</td>
<td>35.97</td>
</tr>
<tr>
<td>1999-00</td>
<td>2602.50</td>
<td>26.10</td>
</tr>
<tr>
<td>2004-05</td>
<td>2384.99</td>
<td>21.80</td>
</tr>
<tr>
<td>(Based on MRP Consumption)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004-05</td>
<td>3017.20</td>
<td>27.50</td>
</tr>
<tr>
<td>(Based on URP Consumption)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Acute poverty prevails in eight Indian states, including Bihar, Uttar Pradesh and West Bengal together, accounting for more poor people than in the 26 poorest African nations combined, a new multidimensional measure of global poverty has said.

The new measure called the Multidimensional poverty Index (MPI) was developed and applied by the Oxford Poverty and Human Development Initiative with UNDP (United Nations Development Programme) support.

An analysis by MPI creators reveals that there are more MPI poor people in eight Indian states, 421 million in Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh and West Bengal than in the 26 poorest African countries combined 410 million.\(^7^1\)

**Investment Performance**

Gross capital formation as a proportion of GDP is not usually expected to rise immediately after the structural reform process. However, in India it raised from 22 per

cent in 1991-92 to 39 per cent in 2007-08. The main reason for this increase has been
the sharp rise in the contribution of the private sector was 16.6 per cent of GDP in 2000-
01, and this rose to 24.0 per cent in 2006-07.

Inflation

Inflation is recently one of the biggest challenges facing the country from 1980-
81 to 1990-91 the average rate of inflation was 9.27 per cent. In the post reform period
from 1990-91 to 2008-09 the average rate of inflation is 7.21 per cent.

Costs of Inflation

It is, however, important to recognize that by any measure the current inflation
rate in India is high. Why is inflation a concern? It is a cause of concern for public policy
because of the associated costs, especially when a large part of the population has no
hedge against inflation.
Milton Friedman famously said, “Inflation is always and everywhere a monetary phenomenon”. It is believed that short-run inflation dynamics is largely dependent on supply-demand conditions and monetary expansion influences inflationary condition in the long run. Monetary expansion could be caused by persistence of high fiscal deficit and the need to finance the same by monetization. Consequently, high monetary growth could lead to continue excess demand for a prolonged period without matching increase in output and productivity. On the other hand, supply conditions have strong influence on the inflation dynamics in the short run.\textsuperscript{72}

In a rapidly growing developing economy like ours, both structural and idiosyncratic factors could play a significant role in the determination of inflation. In the recent years, the inward looking nature of Indian economy has been changing. Activities in almost all the sectors in varying degree are influenced by global factors, be it trade in commodities, provision of services, financing conditions, or consumer taste. Now domestic prices are more influenced by changes in global commodity prices for a wide range of goods – a sea change from the 1970s and 1980s when crude prices were major global influencing factors.

Food prices in India are primarily determined by domestic demand supply factors and domestic price policy. India meets the bulk of its large food demand through domestic production, barring few commodities like edible oils and pulses where the import dependence is about 35 per cent and 15 per cent, respectively. In occasional shortage years, the country has also resorted to imports for wheat and sugar though it is generally an exporter in these commodities. India’s occasional imports of such commodities translate into higher global food prices, as the import demand is large. Hence, imports do not necessarily lead to domestic prices moving lower.

One important determinant of prices of agricultural production in India has been the Minimum Support Price (MSP) announced by the Government for procurement of various commodities. The high increase in MSP since 2007-08 has given an upward bias to agricultural prices.

Reduced availability of food grains also tends to keep food prices high. As per the Economic Survey 2009-10, per capita net availability per day of cereals and pulses has been lower than that observed in the previous four decades. The per capita daily availability of food grains was 447 grams in the 1960s and 1970s, which successively increased to 459 grams in the 1980s and 478 grams in the 1990s but came down to 446 grams during 2000-08 and stood still lower at 436 grams in 2008. Severe drought in
major parts of the country in recent times has perceptibly worsened food availability further. In particular, the situation is far more worrisome for pulses: its per capita net availability per day has gone down from around 60-70 grams during the 1950s to around 30 grams currently.

On the demand side, a major economic transformation in India in the recent years has been the surge in rural demand, which has, now lower dependence on the farm sector. As per the National Sample Survey (NSS) data, the share of rural consumption in overall consumption was about 58 per cent in 2006-07. The non-farm sector consumption accounts for about 55-60 per cent of the total rural consumption. While farm sector demand is more prone to the vagaries of weather, non-farm rural sector has imparted more stability in the recent years due to increased focus on the rural development, particularly through enhanced outlays under various public schemes.

Given the stage of our economic development, the demand for food items would increase with economic growth and rise in income levels. Demographic dividend, which has been contributing towards India’s growth and productivity, has also raised consumption demand, particularly on food. As per the United Nations projection, high
consumption people in the age group of 15-59 individuals comprising around 65 percent of India’s total population will continue to dominate demand till 2040.

Thus, lower per capita availability of food grains and structural shortage of key agricultural commodities like oilseeds and pulses combined with the rising demand have kept food price inflation high. Spikes in global food prices have further accentuated this process.

Trend of Employment in Organized Sector

Since the focus of the reform process is on organized sector employment, it would be desirable to examine the growth of employment in the organized sector.

### TABLE 6.4

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Sector</td>
<td>1.53</td>
<td>-0.80</td>
</tr>
<tr>
<td>Private Sector</td>
<td>0.44</td>
<td>0.61</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1.20</td>
<td>-0.38</td>
</tr>
</tbody>
</table>

Source: Ministry of Labour.
Data given in Table 6.4 reveals that total growth of employment in the organised sector during the 14-year period (1994-2008) was negative, i.e., at the rate of 0.38% per annum as against 1.20% during the pre-reform period (1983-94). The public sector employment decelerated from 1.53% during 1983-94 to 0.80 percent per annum during 1994-2008. Since public sector was rightsizing its employment by shedding the load of surplus workers, it was hoped that private organized sector would create more employment to compensate and reverse the trend of decelerating employment in the public sector. Despite the fact that DGP growth picked up during the post-reform period, more especially in manufacturing and organized service sector, there was only a small increase in the growth rate of employment in the private organized sector to 0.61% during 1994-2008 as against 0.44 percent during 1983-94. This only underlines the fact that 1994-2008 was period of jobless growth. There is a need to study the causes of this jobless growth and take suitable remedial action.

**Economic Reforms and Impact on Labour**

Table 6.5 a review of Industrial relations in the pre-reform period (1981-90) reveals that against 402.1 million mandays lost during the decade (1981-90), i.e. in the pre-reform period, the number of mandays lost declined to 230.2 million during (1991-2000) the post-reform period. Looking at the aggregate level in may be stated that the loss of mandays in the aggregate declined and this can be treated as the index of improvement of industrial relations in the post-reform period. But if a further break up of
the mandays lost into strikes and lockouts is made, then it is revealed that as against 46.2 per cent of the total mandays lost during the pre-reform period by lockouts, the proportion jumped to 60.2 per cent in the post-reform period (1991-2000). In other words, whereas workers have resorted much less to strikes fearing the wave of privatization and liberalization, employer’s militancy has become much more pronounced in the post-reform period. The situation has further worsened during 2001-06, and lockout accounted for 74.5 per cent of total mandays lost. Thus, the sharp decline in total mandays lost was more a consequence of the discipline of the labour rather than a disciplining of the employers. Emboldened by the tilt in the attitude of the state, the employers have flexed their muscles and resorted to increased militancy against the workers.

**TABLE 6.5**
MANDAYS LOST IN STRIKES AND LOCKOUTS

<table>
<thead>
<tr>
<th>Period</th>
<th>Total No. of Mandays Lost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strikes</td>
</tr>
<tr>
<td>Pre-reform Period</td>
<td></td>
</tr>
<tr>
<td>(1981-90)</td>
<td>216.4</td>
</tr>
<tr>
<td></td>
<td>(53.8%)</td>
</tr>
<tr>
<td>Post-reform Period</td>
<td></td>
</tr>
<tr>
<td>(1991-2000)</td>
<td>91.6</td>
</tr>
<tr>
<td></td>
<td>(39.8%)</td>
</tr>
<tr>
<td>2001-2006</td>
<td>39.4</td>
</tr>
<tr>
<td></td>
<td>(25.5%)</td>
</tr>
</tbody>
</table>

Employment in Organized Sectors – Public and Private

TABLE 6.6

BY SEX PUBLIC AND PRIVATE SECTOR

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 6.6 shows the employment level in organised Public and Private sector, which shows that in the year 1991 the total employment in public sector was 190.57 lakhs in which 167.10 Lakhs were males and 23.47 lakhs were female workforce. Whereas in the year 2007 the total employment level has decreased to 180.02 lakhs, out of which 149.84 lakhs were males and 30.18 lakhs were females. The employment level in organised Private sector, which shows that in the year 1991 the total employment in private sector was 76.76 lakhs in which 62.42 lakhs were males and 14.34 lakhs were female workforce. Whereas in the year 2007 the total employment level has increased to 92.74 lakhs, out of which 169.80 were males and 22.94 lakhs were females.
### TABLE 6.7

**BY SEX PUBLIC AND PRIVATE SECTOR**

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>229.52</td>
<td>37.81</td>
<td>267.33</td>
</tr>
<tr>
<td>1995</td>
<td>232.97</td>
<td>42.28</td>
<td>275.25</td>
</tr>
<tr>
<td>1996</td>
<td>235.14</td>
<td>44.26</td>
<td>279.41</td>
</tr>
<tr>
<td>1997</td>
<td>236.08</td>
<td>46.37</td>
<td>282.45</td>
</tr>
<tr>
<td>1998</td>
<td>233.92</td>
<td>47.74</td>
<td>281.66</td>
</tr>
<tr>
<td>1999</td>
<td>232.84</td>
<td>48.29</td>
<td>281.13</td>
</tr>
<tr>
<td>1998</td>
<td>230.37</td>
<td>49.23</td>
<td>279.60</td>
</tr>
<tr>
<td>2000</td>
<td>228.40</td>
<td>49.49</td>
<td>277.89</td>
</tr>
<tr>
<td>2001</td>
<td>222.71</td>
<td>49.35</td>
<td>272.06</td>
</tr>
<tr>
<td>2002</td>
<td>220.32</td>
<td>49.68</td>
<td>270.00</td>
</tr>
<tr>
<td>2003</td>
<td>215.09</td>
<td>49.34</td>
<td>264.43</td>
</tr>
<tr>
<td>2004</td>
<td>214.42</td>
<td>50.16</td>
<td>264.58</td>
</tr>
<tr>
<td>2005</td>
<td>218.72</td>
<td>51.21</td>
<td>269.93</td>
</tr>
<tr>
<td>2006</td>
<td>219.64</td>
<td>53.12</td>
<td>272.76</td>
</tr>
</tbody>
</table>

Source: Ministry of Labour & Employment, Director General of Employment and Training.

Note: 1. Coverage in construction, particularly on private account, is known to be inadequate.
2. Employment in private sector relates to non-agriculture establishments in private sector employing 10 or more persons. Employment in public sector relate to all establishments irrespective of size.

3. Excludes Sikkim, Arunachal Pradesh, Dadra & Nagar Haveli and Lakshadweep as these are not yet covered under the programme.

4. Due to non-availability of data as per NIC 1998, information in respect of J&K, Meghalaya, Mizoram, Daman & Diu not included in totals.

The Table 6.7 shows the employment level in organised Private and Public sectors, which shows that in the year 1991 the total employment in public and private sectors was 267.33 lakhs in which 229.53 lakhs were males and 37.81 lakhs were female workforce. Whereas in the year 2007 the total employment level has increased to 272.76 lakhs, out of which, 219.64 were males and 53.12 lakhs were females.

**Economic Reforms and Industrial Growth**

Economic reforms were mainly intended to remove the bottlenecks, which acted as an obstacle in industrial production. To pursue this goal, Industrial licensing was abolished in all but 18 industries. Later, the government delicensed several others. During 1998-99, three Industries viz., (i) Coal and Lignite, (ii) Petroleum (other than crude and its distillation products), and (iii) Sugar were delicensed. Accordingly, there are only six Industries now under compulsory licensing. Two Industries, viz, Coal and
Lignite were taken out from the list of Industries reserved for public sector. At present, there are only four industries reserved for the public sector. Put another way, it can be stated that the reform process dismantled the system of Industrial licensing which was considered to be main roadblock in the progress of industrial development.

### TABLE 6.8
**ANNUAL AVERAGE GROWTH RATE OF INDUSTRIAL PRODUCTION**

<table>
<thead>
<tr>
<th>Sector</th>
<th>1981-82 to 1990-91</th>
<th>1993-94 to 2004-05</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Index</td>
<td>7.8</td>
<td>6.7</td>
</tr>
<tr>
<td>a. Manufacturing</td>
<td>7.6</td>
<td>7.2</td>
</tr>
<tr>
<td>b. Electricity</td>
<td>9.0</td>
<td>5.6</td>
</tr>
<tr>
<td>c. Mining &amp; Quarrying</td>
<td>8.3</td>
<td>4.0</td>
</tr>
</tbody>
</table>


Despite all this, data provided in table 6.8 reveals where as the eighties (1981-82 to 1990-91), general index of Industrial production recorded an annual average growth rate of 7.8 per cent, growth rate of Index of Industrial Production (IIP) slowed down to 6.7 per cent during 1993-94 to 2004-05. In manufacturing, it declined from 7.6 per cent in the ‘80s to 7.2 percent, and in electricity it declined from 9 per cent to 5.6 per cent and in mining & quarrying it slumped from 8.3 per cent to just 4.0 per cent. Thus, the expectations that growth of IIP would be stimulated did not materialise.

**Performance of Public Sector Enterprises**
Information about the performance of the much maligned Central Public Enterprises, reveals that gross profit as percentage of capital employed was 11.61 per cent in 1993-94, 15.88 per cent in 1995-96 and then to 21.5 per cent in 2004-05. A similar trend was observed in net profit, which was of the order of 2.84 per cent in 1993-94 but improved to 12.1 per cent in 2005-06. Value added per unit of capital which indicates the efficiency of capital employed also showed an improvement from 0.26 in 1993-94 to 0.44 in 2001-02. Obviously, Central Public Sector Enterprises have shown better performance during the 12-year period of reform (1993-94 to 2005-06). The basic question which needs to be raised is: If the ground realities indicate better performance of the Central Public Sector Enterprises, is it desirable to undertake disinvestment of these enterprises? Would it not be better to introduce reform of public sector enterprises so that they can improve their performance still further? By 2005-06 the Government had signed Memorandum of Understanding (MOU) with 102 Public Sector Enterprises (PSEs). Evaluation of their performance reveals that 44 were rated as excellent, 36 very good and 14 as good. If 94 PSEs out of 102 have shown an improvement, there is a case for innovating measures to
Agriculture and Economic Reforms

A major criticism of the process of economic reforms is the neglect of agriculture. The data reveals that foodgrains production increased from 129.6 million tons in 1980-81 to 176.4 million tons in 1990-91 resulting in annual compound rate of 3.1 per cent. But during the 16-year period of economic reforms, foodgrains production increased from 176.4 million tons in 1990-91 to 216.1 million tons in 2006-07, indicating an annual average growth rate of 1.3 per cent, which was lower than the growth rate of population. Complacency on the foodgrains front can certainly cost the nation very dearly in the coming decade.

Various reasons have been assigned for this situation. Firstly, the reform process has emphasised the growth of manufacturing and service sectors and thus neglected agriculture. Agricultural growth has stagnated around 2 per cent during the last decade. It was 2.1 per cent during the Ninth Plan (1997-2002) and is estimated to be 2.3 per cent during the Tenth Plan (2002-07).

TABLE 6.9
GROSS CAPITAL FORMATION IN AGRICULTURE
<table>
<thead>
<tr>
<th>Year</th>
<th>Investment in Agriculture</th>
<th>Share in investment in agriculture %</th>
<th>Investment in Agri. As % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rs. Crores</td>
<td>Public</td>
<td>Private</td>
</tr>
<tr>
<td>1999-00</td>
<td>50151</td>
<td>8670</td>
<td>41481</td>
</tr>
<tr>
<td>2000-01</td>
<td>45186</td>
<td>8085</td>
<td>37101</td>
</tr>
<tr>
<td>2001-02</td>
<td>59806</td>
<td>9711</td>
<td>46095</td>
</tr>
<tr>
<td>2002-03</td>
<td>55668</td>
<td>8733</td>
<td>46935</td>
</tr>
<tr>
<td>2003-04</td>
<td>53840</td>
<td>10805</td>
<td>43035</td>
</tr>
<tr>
<td>2004-05</td>
<td>57253</td>
<td>11038</td>
<td>46215</td>
</tr>
<tr>
<td>2005-06</td>
<td>64131</td>
<td>14144</td>
<td>49987</td>
</tr>
</tbody>
</table>

Source: Central Statistical Organization.

Table 6.9 reveals that total investment in agriculture as a percentage of GDP was only 2.8% in 1999-00. However, even this low level of agricultural investment was not maintained and during 2003-04 to 2005-06, it fell to 2.4% of GDP. While the economy has indicated a sharp increase in investment to 35.5% of GDP in 2005-06, the share of investment in agriculture to a level of 2.4% of GDP is too inadequate, more so when recognizance is taken of the fact agriculture provides livelihood to 58 per cent of population.

Social Infrastructure and Human Development
Some indicators of Human Development are Life expectancy, Literacy rate, and Infant Mortality Rate (IMR), Death rate and Birth rate. If the purpose of all development is to improve the quality of life, the human development indicators are the end products of the development process.

Wide disparities are observed among different states in India. Kerala and to some extent Tamil Nadu have shown that it is possible to achieve higher levels of human development even with low levels of economic development. But, by and large, better levels of per capita NSDP are associated with higher levels of human development. To achieve higher levels of human development, it is necessary that investment in educational and health infrastructure be stepped up. Among the backward states, Uttar Pradesh, Bihar, Rajasthan and Madhya Pradesh have very poor record in terms of literacy, especially female literacy. They have also failed in investment in health infrastructure and consequently have lower life expectancy, higher infant mortality and higher birth rate. The private sector, which is the torchbearer of economic reforms, may be setting up nursing homes or elite educational institutions with higher levels of charges or fees to meet the demand of the upper
middle class and affluent sections, but it does not offer anything for the welfare of the poor. Either the private sector should assume a higher social purpose or the state should invest more in education and health infrastructure.

A COMPARATIVE ANALYSIS OF IMPACT OF ECONOMIC REFORMS IN INDIA ON SELECTED MACRO ECONOMIC VARIABLES

Gross Fiscal Deficits of the Central Government

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Items</th>
<th>1990-91</th>
<th>2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Gross Fiscal Deficit</td>
<td>7.8</td>
<td>6.0</td>
</tr>
<tr>
<td>2.</td>
<td>Gross Primary Deficit</td>
<td>4.1</td>
<td>2.5</td>
</tr>
<tr>
<td>3.</td>
<td>Gross Revenue Deficit</td>
<td>3.3</td>
<td>4.4</td>
</tr>
</tbody>
</table>

Though fiscal deficit has declined from 7.8 per cent in 1990-91 to 6 per cent in the year 2008-09 it is beyond the limit prescribed by the Fiscal Responsibility and Budget Management Act.

Growth of Direct and Indirect Taxes of the Central Government

(Value in brackets indicate percentage) (Rs. Crore)

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Items</th>
<th>1980-81</th>
<th>1990-91</th>
<th>2008-09</th>
</tr>
</thead>
</table>

| 1. | Tax revenue (net) | 9358 | 42976 | 465970 |
| 2. | Direct tax (net) | 1893(20.3) | 6903 (16.06) | 254903 (54.70) |
| 3. | Indirect tax (net) | 7465 (79.73) | 36075 (83.94) | 212867 (45.30) |

The share of direct taxes has increased from 16.06 per cent in 1991-92 to 54.70 per cent in 2008-09 which shows that equity aspect in taxation has been achieved under New Economic Policy.

Gross Tax Revenues of the Centre (per cent to GDP)

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Items</th>
<th>1990-91</th>
<th>2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Direct</td>
<td>1.9</td>
<td>6.9</td>
</tr>
<tr>
<td>2.</td>
<td>Indirect</td>
<td>8.2</td>
<td>6.1</td>
</tr>
<tr>
<td>3.</td>
<td>Total</td>
<td>10.1</td>
<td>13.5</td>
</tr>
</tbody>
</table>

The gross tax revenues of the Centre in terms of GDP has increased from 1.9 per cent in 1990-91 to 6.9 per cent in 2008-09 which is good symptom of fiscal discipline.

Composition of Capital Flows

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Items</th>
<th>1990-91</th>
<th>2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Total Capital Inflows (Net) US $ Million</td>
<td>7056</td>
<td>9146</td>
</tr>
</tbody>
</table>
The achievement of New Economic Policy in attracting non-debt creating flows is impressive.

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Items</th>
<th>1980-81</th>
<th>1990-91</th>
<th>2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Gold</td>
<td>370 (5.42)</td>
<td>3496 (59.92)</td>
<td>9577 (3.30)</td>
</tr>
<tr>
<td>2.</td>
<td>SDRs</td>
<td>603 (8.84)</td>
<td>102 (2.70)</td>
<td>74 (0.029)</td>
</tr>
<tr>
<td>3.</td>
<td>Foreign Currency Assets</td>
<td>5850 (85.74)</td>
<td>2236 (38.33)</td>
<td>241426(95.81)</td>
</tr>
<tr>
<td>4.</td>
<td>Reserve Position in the IMF</td>
<td>-- (0.00)</td>
<td>-- (0.00)</td>
<td>981 (0.39)</td>
</tr>
<tr>
<td>5.</td>
<td>Total</td>
<td>6823 (100.00)</td>
<td>5834 (100.00)</td>
<td>251985 (100.00)</td>
</tr>
</tbody>
</table>

Foreign currency assets as a proportion of foreign exchange reserves has increased from 38.33 per cent in 1990-91 to 95.81 per cent in 2008-09 which is highly significant.

The Ratio of Total Reserves to Imports
<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Items</th>
<th>1990-91</th>
<th>2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Total Reserves</td>
<td>11416</td>
<td>251985</td>
</tr>
<tr>
<td>2.</td>
<td>Months of Imports</td>
<td>3.17</td>
<td>19.30</td>
</tr>
</tbody>
</table>

The ratio of total reserves to months of imports has increased from 3.17 months to 13.90 months, which is a notable achievement.

External Debt by Component (US $ Million)

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Items</th>
<th>1991</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Long-term Debt</td>
<td>75257</td>
<td>208983</td>
</tr>
<tr>
<td></td>
<td>(89.8)</td>
<td></td>
<td>(79.9)</td>
</tr>
<tr>
<td>2.</td>
<td>Short-term Debt</td>
<td>8544</td>
<td>52471</td>
</tr>
<tr>
<td></td>
<td>(10.2)</td>
<td></td>
<td>(20.1)</td>
</tr>
<tr>
<td>3.</td>
<td>Total Debt</td>
<td>83801</td>
<td>261454</td>
</tr>
<tr>
<td></td>
<td>(100)</td>
<td></td>
<td>(100)</td>
</tr>
</tbody>
</table>

The movement of short-term debt to total debt has increased from 10.2 per cent to 20.1 per cent is a disturbing phenomena in the reform process.

Balance of Payments: Key Indicators (US $ Million)

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Items (US $ Billion)</th>
<th>1990-91</th>
<th>2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Trade Balance</td>
<td>-9.4</td>
<td>-119.4</td>
</tr>
<tr>
<td>2.</td>
<td>Invisibles net</td>
<td>-0.2</td>
<td>89.6</td>
</tr>
<tr>
<td></td>
<td>Current Account</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Regarding the key indicators the performance of net invisibles in balance of payments is praise worthy.

Annual Growth Rate of Employment in Organised Sector in India

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Sector</td>
<td>1.53</td>
<td>-0.80</td>
</tr>
<tr>
<td>Private Sector</td>
<td>0.44</td>
<td>0.61</td>
</tr>
<tr>
<td>Total</td>
<td>1.20</td>
<td>-0.38</td>
</tr>
</tbody>
</table>

The impact of employment in the organised public sector is negative which shows the emerging influence of private sector in providing employment.

CHAPTER VII
SUMMARY OF FINDINGS, SUGGESTION AND CONCLUSION

The major findings of the study along with appropriate suggestions and conclusion is presented below.