Chapter- 8

Conclusion & Recommendations of Study
I. Conclusions of Research Study

Fundamental changes in the Indian economic policy were introduced in 1991. Since then industrial licensing has been abolished, large business houses are no longer required to take separate permission for investment, the list of industries reserved for the public sector has been reduced, equity in public sector is being divested, access to foreign capital and technology has been made free, quantitative restrictions on imports have been virtually abolished and import duties have been significantly reduced. The basic idea behind such economic reforms is that the reduction in the size of the public sector and the lifting of Government controls and regulations on production, trade and investment would usher in a more competitive environment, improve efficiency and hence growth.

Following the footsteps of Central Government, the State Governments have also formed new industrial policy, improved infrastructure facilities, created an environment for investment, attracted foreign investment and have gone further in promoting foreign collaborations.

My research has focused on the inter state comparison of economic reforms, wherein I have selected economic indicators as parameters by which the comparison is made between five competitive states viz., Andhra Pradesh, Gujarat, Karnataka, Maharashtra & Tamilnadu. These five states have tried hard to draw the best of policies and have tried to implement them in the best possible manner. My research focuses on the impact of reforms made by above five states.
on their industrial structure, productivity, state domestic product, total investment, foreign direct investment, employment etc.

A number of studies have been published on impact of economic reforms on economy. These studies have analyzed a number of critical issues and are in general critical about the reforms. My research shows that as far as expectations from reforms are concerned, they are being fulfilled in above states. Yes, one important issue is that there should be higher demand for more output to be there, then more people would be employed and poverty can be reduced. Also there is general depression in the economy. This slow down has been attributed to the slackening of aggregate demand.

According to the detailed study conducted by the Mumbai - based Maharashtra Economic Development Council (MEDC), during the decade, the main performers in the industrial sector have been Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Tamilnadu.

Following aspects were common among the steps taken by the Governments of the states under study:

1. Strong and stable government with pro-active government policies.
2. Investor-friendly and transparent decision-making policies.
4. Comfortable power supply situation.
5. Abundant availability of skilled man-power.
6. Harmonious industrial relations and absence of labour unrest.
7. High quality of work culture and peaceful life.
8. One of the most attractive incentive packages in the country, and,
9. Highly evolved common culture and institutional support.

All these state Government were successful because they drew best and attractive policies, introduced new schemes, took all required measures to bring institutional changes and created a very healthy atmosphere for growth and development of industries.

These states have provided industries with best possible infrastructure which is the base of growth of industries, such as roads, rails connectivity, communications, availability of raw material, power etc. These states were already leading in these but the Governments made still better attempt.
It is observed that the path of reforms, the policies made by the governments of the five leading states were almost the same - looking at the one single objective of growth. Excepting minor differences the policies are very aggressive and result oriented.

In recent years issues related to 'investment climate' have come to acquire a prominent position in all above states. These states have become more 'investor friendly'. The economic policies of these states have paid special focus on 'investment climate'. The states have focused on institutional, regulatory and infrastructure reforms. The above states have done well. The reasons behind this are quality and quantity of available physical and financial infrastructure such as power, transport, telecommunications, banking and finance as well as economic and political stability. These five states were successful in providing an environment in which industrial organizations could improve, innovate and continue to grow faster and in proper direction.

The benefits given to the industries are very attractive. In all states the benefits go to premier and prestigious units, engineering units. Except for few differences the subsidies are almost the same.

As discussed earlier, there are many positive aspects in the policies that the Government has to put in use, so that they are able to achieve maximum growth and achieve the targets. Along with strengths there are weaknesses also within the policies of the states, which the administrators have to overcome. The opportunities that come on their way are to be sensed in advance and optimistically grabbed and threats & challenges to be handled in suitable way.

The following can be said for the states covered under study:

1. Gujarat

The economic reform process introduced by Government Of India in July 1991 has removed bottlenecks for establishing industrial projects. However, the industrial units are expected to face global companies. The state Government is required to play a proactive role of facilitator for industrial development. In this context, the NIP of each state incorporates various facts of industrial development giving importance to techno up-gradation, quality and productivity besides infrastructure development so that the
industrial units of the state meet global competition. Reforms were successful in attaining objectives laid in policy.

2. Maharashtra

Maharashtra has been the leader on the industrial front of India. It has always endeavored to sustain industrial growth, facilitate speedier flow of investment by creating conducive industrial climate in the state. Maharashtra has developed a solid industrial infrastructure & strong human resources. This was because Maharashtra pioneered several policy initiatives, since inception, in diverse fields.

The Industrial Policy mainly aimed at simplification of procedures and rationalization of rules, empowering people at all levels and special focus on infrastructure development with the help of private sectors.

Maharashtra, today being the premier industrialized state itself is a model example of how successful the reforms have been.

3. Karnataka

Karnataka Government has formulated comprehensive Industrial Policy. The policy extended a package of incentives and concession for new investors. Karnataka has been pioneer in industries. The state has had the distinction of building a strong and vibrant industrial base, which combines the intrinsic strengths of large industrial public sector undertakings; large and medium privately owned industries and very wide and dispersed small-scale sector. In recent times, Karnataka has emerged as the knowledge and technology capital of the country making rapid strides in the new economy as well Karnataka is among the five top industrialized states in the country.
1999-2000

<table>
<thead>
<tr>
<th>Sector</th>
<th>No. Of units established</th>
<th>Investment (Rs. Crores)</th>
<th>Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Scale Industries</td>
<td>93,845</td>
<td>3008.78</td>
<td>4,44,259</td>
</tr>
<tr>
<td>Medium Scale Industries</td>
<td>194</td>
<td>2499.96</td>
<td>45,703</td>
</tr>
<tr>
<td>Large &amp; Mega Industries</td>
<td>21</td>
<td>8682.62</td>
<td>13,331</td>
</tr>
</tbody>
</table>

There is no doubt that reforms were successful in the state.

4. Tamilnadu

Tamilnadu is one of the well-developed states in terms of industrial development. In the post liberalization era, Tamilnadu has emerged as one of the front–runners by attracting a large number of investment proposals. It has developed a well-diversified industrial base. It commands a lion's share at all-India level in the production of a number of products. The policies have resulted in increased industrial output and also successful implementation of various new large projects.

5. Andhra Pradesh

Andhra Pradesh has embarked upon a mission, which is to be at the forefront of industrial development in the country by year 2020. The Government is conscious that fulfilling this mission needs not only ideas and dreams but also a lot of hard work, realistic planning guided by well spelt out policy directions.

The irresistible incentives and various opportunities were responsible for achieving reforms with success.
II.  Common Misunderstandings About Reforms

We in this country tend to think of reforms as we do of domestic repairs. Economics is a machine; everything in it is interconnected with everything else. So if one fixes a leak in one place, it may burst a value somewhere else. One has to understand the economy as a whole. Economy is a machine that acts slowly — actions taken today may take years for the results to become evident. Hence, one has to understand not just the mechanics but also the dynamics of the economy. It is a terribly complicated machine. There are common misunderstandings about reforms:

1. "The problem of poverty is neglected in Reforms"

One problem in Indian Debate arises from the tendency of many to think that the economic reforms, since they favour efficiency and growth must be against poverty alleviation. This is however an "anti growth" misunderstanding, pitting against poverty, that reflects in turn two different misconceptions. The removal of poverty requires anti poverty programs, not growth. Growth is an indirect anti-poverty strategy as growth will generally create jobs, pulling people into gainful employment and hence out of poverty.

"Until the 1980's, planners in India treated growth as a target and neglected poverty in consequence". Today also there is perceived threat among people that, as that like in 1970's, growth was the objective and poverty alleviation is being neglected - as today also more importance is given to growth. But there is no basis in reality for these views. From the beginning growth was regarded as a way of impacting poverty, rather than as an end in itself.

2. "We are yielding to foreign pressure"

Reforms have also created misunderstanding or impression that they are a result of foreign pressure. There is also the notion that the ideas and policies being imposed on us are foreign and also that they are ill designed.
It is true that the initial adoption of reforms and our earlier efforts at initiating and sustaining them had been hesitant and limited. We had lost precious time and that reforms were finally our only option.

The complaint that the ideas being implemented are extraneous does not reflect reality either. The proponents of the reforms that were initiated in 1960's included Indian economists. But unfortunately these ideas were rejected at that time by our authorities.

3. "Imbalanced Regional Growth"

The studies have also showed that objective of balanced regional development is being affected. The concept of balanced regional growth is obsolete in new era. Prosperous states have prospered further.

A rapidly widening disparity between states indicates a sharp divide between rich economies of West and South India and poor regions of rest of India. The difference between rich and poor states is quite dramatic in post-reform period. Just four states – Maharashtra, Andhra Pradesh, Gujarat and Tamilnadu have grabbed 56 % of the total planned investments in the country.

According to a detailed study conducted by the Maharashtra Economic Development Council (MEDC) on income front, the gap between the highest State Domestic Product (SDP) and the lowest was almost six times during the period. In 1999-2000, Maharashtra had the highest SDP at Rs. 2,12,216/- Crores, where as Orissa recorded SDP of Rs. 32,729/- Crores. The number of Industrial Entrepreneur Memoranda (IEM) filed during these 10 years was highest in Maharashtra (8,716), while Bihar was the lowest with just 137 IEMs. The four states Maharashtra, Andhra Pradesh, Gujarat, and Tamilnadu alone accounted for 48 % of the total IEMs filed in the country.

The share of Bihar, Delhi, Goa, Haryana and Punjab each was less than 2% as of October 2001 whereas in total invested capital in the country, Maharashtra accounts for about 20 % followed by Gujarat with 15 %.
III. **Scope for further study**

Due to limitation of time, resources and data amongst various economic reforms only industrial sector reforms is studied.

Even in Industrial Sector Reforms, study of the Public Sector was not undertaken. Also the Economic Reforms of only five states are compared. The comparison is not done amongst all states, especially, the poor states or socio-economically backward states. I do agree that there is still scope of study in those areas.

Economic Reforms had been characterized by liberalization and simplification of administrative intervention, facilitating participation of private sector, public sector reforms and reform of the financial sector.

The performance of a very large number of public sector enterprises is disappointing. Performance is particularly poor in public sector manufacturing industries. Few PSEs have done extremely well, but these are in monopoly sectors such as Telecom, Petroleum & Power.

The public sectors that were under severe competitive pressure and had seen erosion in profitability led to disinvestments. The policy of the government on disinvestments has evolved over the last decade. It started with offering minority shares in 1991-92, which continued with some amendments till 1999-2000. During this period, Rs. 18,638 Crores were realized thru spinning off the shares or equity of some organizations in open markets. The changed policy was announced by March 31, 2000. Government has recently formed a new department for disinvestments to establish a systematic policy approach towards disinvestments and privatization. The total realization from April 2000 to August 2002 is Rs. 11, 214 Crores.

The above aspect of disinvestments in the select five states in not studied in this Research.

The focus of the Research study is the Industrial Reforms done in the five states of Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Tamilnadu. The number of states being more, it is not possible to study all the reforms implemented by each state. There is a scope for further studying the industrial reforms among developed and under-developed states. Since even all the
under-developed states are also striving to grow, therefore the limitations of these reforms are to be studied and rectified.

IV. Recommendations of Research Study

The economic reforms that were initiated in mid 1991 have now been with us for more than ten years. It is time for us to make a critical review of the process of reforms, to study its shortcomings and strengths and identify the policy measures that are required in the immediate future for consolidating the positive of the reforms.

I think there is still time to ask - could the reforms have been done better? The question has a particular validity because of the bad times through which economy is passing. Industrial growth has slumped. The Government is unsure about what to do and has been asking industrialists, and industrialists are asking economists for change. Here one has to understand not just the mechanics, but also the dynamics of the economy. It is a terribly complicated machine. If mistakes were made in the past, these need to be corrected.

The important questions before the Government, and the country are:

1. Are the reforms, as implemented so far, well designed in terms of their rationales and relevance to the problems we face? And,

2. What are the next steps that the Government must undertake, both in terms of more effective implementation of the reforms already attempted and of the further reforms to be made in order to bring the reform process to a successful completion?

An exhaustive and critical assessment of on-going economic reforms, their future direction is presented here. The Recommendations, which could make the new policies more successful and promote greater efficiency and growth, are presented here.

In view of the foregoing observations, I venture to make following Recommendations:

1) It has been observed that the states are competing with each other.
They compete amongst each other to be the best in terms of policies and promoting the industries. But particularly speaking, the competition should be healthy. It is said that the concept of competitiveness when translated into action, should result in higher market shares and profits, which would lead to increase in total production of the country and ultimately increase in national income.

But my observation is that "In analyzing state level competitiveness, the competition is not only wrong but also dangerous. Thinking in terms of competitiveness leads directly and indirectly to bad economic policies on a wide range of issues, domestic and foreign".

Competition among states to attract investors is of course desirable but it is the tactics being used that are a cause of concern. Again competition among states by way of incentives tends to be a zero sum game and even be harmful. The withdrawal of Sales Tax Incentives is a welcome step taken by the State Governments, which would reduce unwanted competition.

My suggestion is that, states should work as a cluster, take positive decisions, which would help the states’ economy, neighboring states’ economy and the country’s economy to grow.

The policies laid by the State Government should be exemplary and should reduce the regional disparities amongst the states. Altogether we should become ready to face international competition. Because, if we succeed, India could rise to be one of the most dynamic economies by the turn of the century. India has the talent to be the next economic miracle, but it will not happen by itself. It requires all of us to dedicate ourselves to new ways of thought and action and make a success of new economic policies.

2) State should provide an environment in which firms improve and innovate and continue to grow faster in proper direction. This is particularly so because the reforms that we have undertaken so far, especially in industrial sector, amount to a radical change in the functioning of the economy that requires substantial, complementary and institutional changes if they are to be truly effective. And these institutional changes are the ones that need to be undertaken now with vigor.
For India to do well, greater openness to trade, technology and investment should be complemented by a host of other institutional factors and policies.

It is also important that there be continual interaction, in an institutional form, between industry and the Government so that efficient channels for rapid communication are established.

This also requires a change in the old, inherited style of operation where the Government was in an adversarial role to industry. That attitude and institutional structure have to be changed quickly and comprehensively to make industry a creative and respected partner both in implementing the reforms and in playing a central role in India's economic development.

There is need for Government officials to show their commitment to reforms by changing their attitudes towards business activity. Similarly, politicians need to adhere to the reform route even if there is resistance from various entrenched lobbies.

3) It is important to understand that the pace of implementation of reforms is critical to overall development.

The reforms, which look extremely attractive on paper, are not implemented fully. All the hurdles for successful implementation should be removed. All impediments should be removed, and if mistakes were done they need to be rectified.

The reason responsible for China's rapid growth is its successful and rapid implementation of economic reforms. The Government must therefore proceed, for this reason as well as the others outlined earlier, to build rapidly on the reforms so far.

It is necessary to accelerate this process and to reduce the time required for attaining necessary permissions and clearances.

Yet, important qualifications must be attended to forthwith if these reforms are to be effective.

1. The bureaucracy should not become an obstacle to the intended reforms.
Presently, in certain matters states have no authority in decision-making process on economic matters, because the center has the say. This and other such restrictions must be removed.

The state governments therefore propose to constitute a high power co-ordination committee under the chairmanship of respective Chief Secretary to take quick and speedy decisions on such proposals.

For instance, there are thirteen agencies that must be approached even today for clearance. Many of these permission are of course necessary, some relate to pollution control, others to town planning etc. The problem, however, is that because we do not have single window clearance, each of the thirteen clearances takes its own time. Besides, there is no effective time constraint on each agencies division.

Steps should be taken to ease the procedures through which environmental clearances are granted and contain types of small-scale industries have been exempted from these clearances altogether.

Political compulsions at the central and state level also have an impact on the speed with which reforms are implemented specially. Then there might be resistance from trade unions. These issues are important at the central and state levels and need to be examined separately. However, in tune with focus of our study and on the basis of extensive discussions with industrialists and bureaucrats we are able to point out some of the major impediments that need to be removed at the state level for effective implementabon of reforms.

4) There should be connection between First and Second phase of reforms.

There is a lot of hype about the imperatives of graduating to the second phase of reforms. What is likely to be controversial is the connection that is being made between the two so-called generations of economic reforms. The skilful use of the term 'generations' gives an impression that the two packages of reforms are intimately related and second package should logically follow the first.
The second phase of reforms need to focus on achieving economic development in true sense, which would bring about a paradigm shift in the areas of contribution from different sectors of the economy.

There is at present focus on the 'human development' and need for reforms to be modeled in that direction. Therefore second phase of reforms need to focus on achieving economic development in true sense.

5) Adequate quantity, quality and reliability of infrastructure facilities are must for achieving the overall growth of an economy and to improve the quality of life. They are considered as the wheels of economic activity. Good infrastructure raises productivity; lowers production cost, helps diversify production, expands trade, improves living standards and alleviates poverty. It is the foundation for building the superstructure of the economy.

Infrastructure has been one of the high priority areas in the planning process in India.

Government should open up the participation of the private sector. The private sector participation is partly evident only in power and telecommunications. In areas like posts and telegraphs, roads development, shipping, urban infrastructure, the presence of private sector is quite insignificant. Private sector participation leads to competition between public and private sector thus resulting in better pricing of services and improving the quality of services. In all these matters, the efforts of the Government have not taken concrete shape yet.

Many an industrial development agencies have been instrumental in developing many industrial estates with supporting infrastructure such as power, water, roads, telecom, housing and other social amenities. However, only a handful of these estates have been successful in attracting and sustaining profit-making industries.

The storage of power is a common problem faced by industries almost everywhere. The state government has taken several initiatives to overcome this shortage and provide for future industry demands. New thermal, gas and lignite based power plants are at various stages of being commissioned.

Water resources are to be enhanced by use of more efficient and innovative schemes for the use of surface and ground water.
To ease transport bottlenecks a massive investment program to convert meter gauge rail network into broad gauge network and invitation of private investors needs to be encouraged to build and maintain roads and bridges.

6) The main story relates to the financing of the industrial growth. During 1990 old industries were financed by the Government financial institutions and nationalized banks. They are not so much supportive to new industries. The loans and equity portfolio of these institutions has increased steadily but there has been concern about quality of portfolio. There is now a renewed emphasis on careful project selection and better monitoring of projects by these agencies to prevent default on payment. The boom in leasing and finance industry has also helped release funds for industrial investment.

The credit flows should be adequate and affordable to stem downslide, revitalize the industry, deepen and broaden the financial markets and enhance competitiveness of industry. And trade policies should aim at market revival through increased flexibility in credit delivery system.

This should be achieved through:

i. Expansion of lendable resources by banks for productive purposes (which would also spark off consumption growth).

ii. Relaxation of debt equity ratio given the need for supply of working capital in the industrial trade sector, and,

iii. Lowering of bank service charges by cutting transaction costs of banks in wake of technology penetration in the sector.

Along with above measures:

i. Corrective measures should be taken to stem the rise in non-performing assets.

ii. Putting a secure system in place for checking the flow of loans migrating to non-performing means and devise way for an effective settlement mechanism.

iii. Measures should be taken to plug scams among urban co-operative banks like reviews to ensure adherence of prudential norms, tightening
of aiding of their accounts, and replacement of dual control over co-operative banks by exclusive control by R.B.I.

One solution that does not require such radical change is, to create local markets for credit instruments. The Reserve Bank should organize and regulate these local markets, and encourage Banks to participate in them.

7) The best stimulants for industrial activity, is to provide a congenial business environment. In a bid to attract new investments, several states have offered a range of incentives. Over the past few years the state government have offered a variety of incentives to new and existing industrial units. Incentives are generally viewed as second best stimulus for industrial activity. These incentives are in the form of subsidies on capital investment and sales tax exemptions.

There are several instances of industrial units that become unprofitable once the incentives are withdrawn.

The best step is to provide, best resources that would act as a solid platform for the development of industries. Fortunately state Government has recognized that provision of incentives does not make up for attracting and maintaining investment. The emphasis clearly needs to be on providing appropriate physical, legal and financial, social infrastructure. Resources such as Power, Roads, Rails, Water, Finance market etc. are to be provided first and then the incentives are to be given. Again incentives should prepare the entrepreneurs to face the market unaided once their businesses have matured.

8) Economic reforms have largely remained confined at the level of center. It is high time that the states are also fully involved in proposed exercise, both at the administrative and political level. Policy measures initiated by the Central Government have set the pace for industrial liberalization but the implementation of these policies takes place in the states. Therefore state governments and their policies play a major role in attracting and developing industry. Broad policy framework to develop industry is formulated by the Central Government. It is the State Government that can influence the strategic location of new investments. Therefore state government’s policy towards industry is of fundamental importance.
9) Reforms entail pain because of the adjustments that they impose, forcing at minimum a change in one’s ways of doing business. If the reforms are extensive, more people are likely to get involved in the pain, thus making a ‘shared sacrifice’ in the national interest and moderating opposition from one group in particular.

Reforms should have human face whether it be on industrial front or on agriculture front. Unless the reforms take into account human side of the problem, they cannot be considered complete and comprehensive. The reform exercise should go deeper into the human aspect. Welfare of people and participation of people should run high in the reform agenda of any Government. Great personalities of the current millennium like Albert Einstein, Marx and Russell are univocal in their message to the mankind that any discipline, or science, unless it takes care of human dignity, freedom and welfare has no place to exist.

10) Small sector has always been emphasized but comprehensive policy framework is yet to be conceived. This sector, which has quiet a pervasive influence on the economic activity of the country in terms of number of units incorporated, volume of output produced, employment generated and even in exports made. Following measures are to be included in second phase of reforms for elevating the states and contribution of small industry to the national economy:

i. Phasing out of large units in the areas of production reserved for the small units.

ii. Making the DIC a single window as far as the provision of raw materials, credit, marketing and other services are concerned.

iii. Measures should also be incorporated towards the development of special categories of entrepreneurs. The Government should actively consider the transfer of ownership of local resources to the disadvantaged groups.

iv. A new requirement of the present day industrial scenario to the small units is to help from the Government in terms of patenting support to SSI innovations. This should be given a serious consideration.

11) There is a need for greater clarity of the private sector participation. Though the Government has opened up the restricted areas of activity for the participation of the private sector, the latter's participation is not that encouraging. Of the several fields of
activity, private sector participation is partly evident only in power and telecommunications.

Even in the power sector hardly any proposal had materialized. In the areas like post and telegraphs, road development, shipping, civil aviation and urban infrastructure, the presence of private sector is quite insignificant. Private sector participation leads to many other issues such as competition between public and private sector, better pricing of services and improvement in the quality of services.

12) Economic activity and hence development process involves both labour and capital and viewed from different angles, produces as well as consumes. So policy makers who want to make state investment friendly cannot afford to be less sympathetic to the cause of labour and consumers.

The labour law changes also focus in the speedy closure of the small units. In such cases there should be clear laws towards compensation to the displaced labour. The Government should set up machinery for reemployment and training of such displaced persons.

Attempts are made to revive the sick industries through Board for Industrial and Financial Restructuring (B.I.F.R.). But this process remains largely unsatisfactory because there is little scope for the owners of sick companies to actually shut down the unviable unit and start afresh in another line of business. Even National Renewal Fund was set up to compensate and retrain unemployed.

13) It is also important to have the reform process build greater momentum. Regarding the optimal speed of reforms, the problem is quite complex. It might have moved faster in some areas.

It is also true that the effective speed at which reforms may be implemented is in any event, beyond the economists' control since some reforms will simply take their own time to get off the ground. For example, one may want to immediately privatize all public enterprises, but finding buyers may take a long time.
But one thing is sure that speed of implementing reforms should be increased since if the momentum builds steadily, the credibility of the reforms also gains in the process and so does their prospect to success.

14) There are two problems related to power:

i. The shortage of power is a common problem facing industries almost throughout the India. The State Government has taken several initiatives to overcome this problem. Private sector participation is being encouraged in power generation.

ii. High power tariff is the second problem. About 85% of industries in India are power intensive. e.g. in Gujarat power tariffs are highest and that is twice that of china. If power tariffs are high then all power intensive industries will not remain competitive, since cost of production will shoot up. Therefore Confederation of Indian Industry (CII) has urged all State Governments to implement power sector reforms if the state wants to remain in competition.

The Economic Reforms that were initiated in the middle of 1991 have been with us for more than 10 years now. An exhaustive assessment of ongoing Reforms, their effects and future direction of Reforms have been presented here. Reforms have been extremely successful in the five states under study.

But whereas Reforms have delivered well or have been successful from the point of view of fulfillment of expectations in the ‘already better’ states, the poorer states or states that have been lagging behind in economic criteria, did not grow so well. It is observed that weaker states have remained worse off while stronger states have become better off. We must ensure that proportionately more resources are allocated for the challenged states or backward regions. I strongly feel and suggest that development programmes in this direction should be designed in consultation with state governments and implemented rigorously under direct and constant supervision of specially appointed supervisory committees.
Reforms should not affect vulnerable & poor people of the society. It is necessary that growth-promoting reforms should safeguard the interest of the poor and vulnerable sections of the society and, therefore, we must formulate special policies that are designed to protect these sections.

We have learnt lessons from our experience with reforms in context of world development. Based on these, we can, therefore, determine the kind of reforms that are necessary and the pace at which they must be implemented or pursued during the coming decade. Because, if reforms become successful in all the states, then India would rise to become one of the biggest and most dynamic economies of the world.

The basic objectives should be clearly set before ourselves, namely, - attainment of minimum GDP growth rate, emphasis on human development and reversing the trend of worsening regional disparities.

I would like to end by saying that governments, political bodies, intellectuals, professionals, industrial bodies, non-governmental organizations and in fact, each and every individual should come together and actively participate in the reform agenda.