CHAPTER 1

INTRODUCTION

1.1 Introduction

From its earliest beginnings India's struggle for freedom had a large element of economic thinking and social reforms. Freedom was considered the indispensable means to overcome mass poverty, to protect the farmer and the artisan, to create modern industry, to remove privilege and injustice and to reconstruct the entire fabric of India's social and economic life. Beginning with Dadabhai Naoroji, whose paper on 'The Poverty of India' was presented as far back as 1876, a long line of national leaders like M.G. Ranade, R.C. Dutt and others wrote extensively on social and economic problems of India. Their main themes were the poverty of the people and the recurrence of famines, which they attributed to the defective land revenue policies of the colonial government, the high cost of administration and deficits in the balance of payments. They were fully convinced that no solution could be found for the economic backwardness of India by the British Governments pledged to the policy of laissez-faire and non-interference in social matters. It was their views that only national governments, which would actively promote economic development by governmental action, could bring about improvement in living standards. As the national freedom movement grew and spread among the people of India, the national leaders in the forefront of the national struggle placed these aims and its social content became deeper.

From the mid-19th century, Indian nationalists started advocating a 'Boycott' of British goods as a means for reviving Indian industries, which had been ruined by British commercial policy in India. During this period the process of import-substituting investment started in cotton textiles. In 1872, Justice M. G. Ranade popularized the idea of 'swadeshi', i.e., indigenous, of
preferring the goods produced in one's own country even though they may prove to be dearer or less satisfactory than finer foreign products. Boycott of Lancashire cloth was again preached in the second half of the 1870s in response to the hostility of Lancashire to the newly started Indian mills in Bombay. In 1876, Dadabhai Naoroji published his magnum opus, The Poverty of India. In this work Naoroji presented 'the drain theory' and propagated it. Many other Indian leaders joined in the agitation around the question of the drain. The essence of the drain, as explained by R.C. Dutt, was that: "If manufactures were crippled, agriculture over-taxed and a third of the revenue remitted out of country, any nation on earth would suffer from persistent poverty and recurring famines". Thus, the central point of the Drain Theory was that a portion of the national product was not available for domestic consumption or capital formation and was unilaterally transferred to England for political reasons, first in the form of an outward flow of bullion and later in the form of unrequited exports and unequal exchange.

In 1883-84, the Boycott of British goods was ardently preached during the agitation against the Ilbert Bill of 1883. In 1891, it was again preached and practised by the opponents of the Age of Consent Bill. All these developments ultimately resulted in the beginning of the 'swadeshi' movement in the course of an all India agitation against the partition of Bengal in 1905. In this way, the 'Boycott' became the negative aspect, and 'swadeshi' became the positive aspect of the same idea.

The 'swadeshi' movement regarded the revival of indigenous industries as essential. It was realized that these industries, being at their infant stage, could never grow in the face of free competition with foreign countries, which had highly developed industries. Far from helping the nascent Indian industry by protective duty, the British pursued an extreme free trade policy and, even imposed excise duty on cotton goods manufactured in India in order to cripple the Indian cotton industry. Therefore, it was felt that the Indian industry could
stand on its own feet only if foreign goods were deliberately shut out by a policy of Boycott. But the **Boycott movement** could not succeed unless the essential goods, hitherto imported, could be produced in India. Thus, the two proposals, namely, refusal to buy foreign goods and the promotion of indigenous industry, were indissolubly bound together. From then on (1905) the ‘**freedom struggle**’ centered round these two aspects of the ‘**swadeshi**’ movement-Boycott and Swadeshi. The ‘swadeshi’ movement started showing results as early as 1907. Many schemes for starting various manufactures in India and for financing trade and industry were then floated. In 1920, the special session of Congress at Calcutta adopted a resolution on non-cooperation and adoption of ‘**swadeshi**’ in cotton; and resolved to attain ‘**swaraj**’. Significantly, the campaign to substitute Indian manufactures for imports was also calculated to reduce the drain or outflow of Indian wealth consequent upon the import of foreign manufactures.

Going even further back in history, emphasis was also given to economic independence by India’s experience of the East India Company which came to India for trade and ultimately obtained political power. “**Flag follows trade**” was the most important lesson. “The principal objective of planning the national economy was to achieve national self-sufficiency as far as possible but not primarily for purposes of capturing foreign markets. Thus, the ‘**swadeshi**’ movement combined with ‘**swaraj**’ is in fact the historical version of ‘**self-reliance**’. In this way, in Indian development strategy the key word for ‘**import-substitution**’ strategy has always been ‘**self-reliance**’.

### 1.2 The Formation of India’s Economic Policy

On 15th of August 1947, when Independence came, India had a slender industrial base. Millions of her rural people suffered under the weight of traditional agrarian structure. A long period of economic stagnation, against the background of increasing pressure of population, followed by the burdens of
the Second World War, had weakened the Indian economy. There was widespread poverty and want. The partition of the country had uprooted millions of people and dislocated economic life. Productivity in agriculture and industry stood at a low level. In relations to needs the available domestic savings were altogether meager. The promise of freedom could only be redeemed if the economic foundations were greatly strengthened.

The Constitution of India was enacted on 26th of January 1950. The Preamble to the Constitution set out in the basic objectives of the new social and economic order which the nation has “solemnly resolved to secure to all its citizens:

Justice, Social, economic and political;

Liberty of thought, expression, belief, faith and worship;

Equality of status and of opportunity; and to promote among them all;

Fraternity assuring the dignity of the individual and the unity of the nation.

Keeping in the view this background of the independence struggle and the Constitutional provisions, the more precise and concrete foundations of India’s economic policies were laid during the period 1949 to 1956. On the eve of this period, the following notable features of the Indian economy need to be borne in mind:

1. Before the Second World War, India was a net debtor country and needed a surplus of a fairly large order in its trade accounts in order to meet the servicing charges on the sterling debt. This was the key to its commercial policy. But by the end of the war, almost the entire external debt of the Government was repaid and sterling balances of the order of Rs. 1600 crores had been built up. (This was equal to about two years of India’s imports.) This obviated the need for a surplus on trade account. The magnitude of the external reserves accumulated during the War opened up, the prospect of being able to finance fairly large deficits in the balance of payments. (Planning Commission, 1952: 453-54).
2. The partition of India in 1947 affected most the exports of jute, cotton and hides. In the new set-up, large-scale imports of these were essential for some of the largest established industries in India. But the commodities that could be exported to Pakistan in exchange were mainly processed materials like cotton textiles, sugar, and matches which, until partition, were receiving some protection against foreign competition in the areas which now constitute Pakistan. Partition, therefore, not only resulted in increased reliance on imported raw materials but made more difficult the problem of export promotion. (Planning Commission, 1952, 454).

3. Between 1938-39 and 1948-49, there was a movement in the terms of trade in India’s favour to the extent of about 15%. Between 1948-49 and 1950-51 on account of external factors, including the Korean war, a further sharp improvement in India’s terms of trade to the extent of about 22%. (Planning Commission 1952: 64). This again reduced the pressure to export.

4. In the pre-independence period, the major emphasis in industrial development in India had been on consumer goods industries, while the development of basic capital goods industries had lagged behind. In the case of capital goods industries and industries manufacturing intermediate products, the available capacity in India in most cases was inadequate even for the existing requirements. (Planning Commission, 1952:42).

On the eve of the formulation of the First Five Year Plan, Indian economy was itself not fully integrated and there was a large unorganized sector which could respond only slowly to economic stimuli. Statistical data were not available regarding even some of the basic aspects of the economy. Therefore, it was not possible at that time to present a completely integrated view of the economy and the likely effect to planning on the various
constituent units or sectors of the economy. Moreover, the Plan had to cover
the activities of several state Governments within a federal structure; and of the
numerous units in the private sector of the economy. Thus, in the first instance,
the scope of the Plan was to be limited to the public sector and to such
developments in the private sector as followed directly from the investments in
the public sector, or, on the whole, were more amendable to planning and
control.

Planning in real sense started with the formulation of the Second Five
Year Plan in 1956 with references to the following principal objectives:
a) a sizeable increase in national income so as to raise the level of living in
the country;
b) rapid industrialization with particular emphasis on the development of
basic and heavy industries;
c) a large expansion of employment opportunities; and
d) reduction of inequalities in income and wealth and a more even
distribution of economic power.

The techniques, through which those objectives were to be attained,
included the following two types: First, the overall regulation of economic
activity through fiscal and monetary policy. Second, the devices like export and
import controls, licensing of industries or trade, price controls and allocations
which influence and regulate economic activity in particular sectors or sub-
sectors of the economy.

The general pattern of development followed in the Third Plan
necessarily flowed, in a large part, from the basic approach and experience of
the Second Plan. The development of basic industries was considered
fundamental to rapid economic growth. Since this plan represented the first
stage of intensive development leading to a self-reliant and self-generating
economy, the basic industries were considered to largely determine the pace at
which the economy could become self-reliant and self-generating. The
objective of self-reliance, to be realised within a definite time schedule, was thus formulated explicitly for the first time in the Third Plan and it contained the following three essential ideas:–

1. Self-reliance means elimination of special forms on external assistance;
2. self-reliance can not be achieved forthwith and has to be phased over time; and
3. the justification for external assistance during the intervening period must be that it helps to build up the growth potential of the economy to the level where it can support an adequate level of investment from its own production and savings.

The Fourth Plan had the basic slogans of ‘national self-reliance’ and ‘growth with stability’ and thus proposed to step up the tempo of activity to the extent compatible with maintaining stability and progress towards self-reliance. The Plan envisaged “to reach the social and economic objectives through more rapid growth of the economy, greater diffusion of enterprise and of the ownership of the means of production, increasing productivity of the weaker units and widening opportunities of productive work and employment to the common man and particularly the less privileged sections of society.” It sought to concretise the time phasing for realising the goal of self-reliance. The objective was laid down as “reducing foreign aid, net of the debt servicing (inclusive of interest payment) to half of the current level by the end of the Fourth Plan and of eliminating it altogether as speedily as possible thereafter.”

The Fifth Plan was formulated with the objective of “Growth with Social Justice” for the attainment of which the anti-poverty-oriented strategy was adopted for this plan. This strategy drew attention not just to income and income inequalities but also to the type of material goods and social services that income should bring, and the problems of providing the minimum bundle needed. The main objective of this strategy has been to raise per capita incomes above a pre-determined poverty-line as early as possible with the related aim of
reducing income and social inequalities. It also aimed at the redistribution of wealth, assets and output, mainly through the reallocation of productive resources in favour of explicitly defined poverty groups and the satisfaction of their basic needs within a minimum time. During this plan, support prices of some agricultural products were introduced.

**Removal of poverty** and **attainment of self-reliance** were the two major objectives that were set out to be accomplished in the Fifth Plan. As necessary corollaries, these objectives required higher growth, better distribution of incomes and a very significant step-up in the domestic rate of savings which must come from the more affluent sections of the society. As regards poverty, the Plan pointed out that "the existence of poverty is incompatible with the vision of an advanced, prosperous, democratic, egalitarian and just society implied in the concept of a socialist pattern of society. In fact, it holds a potential threat to the unity, integrity and independence of the country. Elimination of poverty must, therefore, have the highest priority," [Planning Commission, 1974:6]. It was further pointed out that "the strategy for elimination of poverty thus rested on two major factors, a rising rate of growth of domestic product combined with a declining rate of growth of population" [Planning Commission, 1974:7]; and that "our professed goals of removal of poverty requires that the growth strategy must seek not only a higher rate of growth than observed in the past but also reduced inequality in the distribution of income and consumption. The composition of growth must be such as favours the rural and urban poor. This calls for efforts in several directions. The pattern of production must lay emphasis on food and other articles of mass consumption. There must be massive employment generation, which will sustain and will be sustained by greater availability of wage-goods. It is also essential to augment social consumption and investment with a view to maximising the efficiency and productivity of vast numbers as well as to improve the quality of their life. The institutional reform and the
fiscal policy must be oriented to reduced inequality alongside increased productivity. The backward regions and classes have a high incidence of poverty. Their development must receive high priority. Every effort must be undertaken to carry family planning to the strata who need it most.” [Planning Commission, 1974:8]. As regards the objective of self-reliance, the Plan recognized that: “Self-reliance would lose much of its significance if it were associated with a lower rate of growth. What we seek is a dynamic self-reliance where the rate of growth is accelerated, while, at the same time, developing the capability to sustain it essentially from our own resources.” [Planning Commission, 1974:4].

Therefore, the basic orientation of the structural changes in output, as envisaged in the plan, was to restructure it in favour of goods and services that go into investment, exports and essential private and public consumption or serve as indispensable intermediates for the production of the needed final goods and services. The essence of the problem of recasting the structure of demand was to modify the existing structure of demand in favour of investment and social consumption and reduced dependence on foreign funds. It was felt that a higher share of these three categories in the gross national expenditure would necessarily involve a corresponding decline in the share of private consumption.

The sixth plan (1980-85) began at a time when the economy was severely disrupted by the drought of 1979 and a sharp deterioration in our terms of trade brought about by a further steep increase in the price of imported oil in 1979 and 1980. The deterioration in the balance of payments and the high rate of inflation threatened the stability of the economic system and the possibility of sustained growth. [Planning Commission, 1985:1]. This plan embodied the following statement of plan objectives and strategies:

“i) a significant step up in the rate of growth of the economy, the promotion of efficiency in the use of resources and improved productivity;
ii) strengthening the impulses of modernisation for the achievement of economic and technological self-reliance;

iii) a progressive reduction in the incidence of poverty and unemployment.

iv) a speedy development of indigenous sources of energy, with proper emphasis on conservation and efficiency in energy use;

v) improving the quality of life of the people in general with special reference to the economically and socially handicapped population, through a minimum needs programme whose coverage is so designed as to ensure that all parts of the country attain within a prescribed period nationally accepted standards;

vi) strengthening the redistributive bias of public policies and services in favour of the poor contributing to a reduction in inequalities of income and wealth;

vii) a progressive reduction in regional inequalities in the pace of development and in the diffusion of technological benefits;

viii) bringing about harmony between the short and the long term goals of development by promoting the protection and improvement of ecological and environmental assets; and

ix) promoting the active involvement of all sections of the people in the process of development through appropriate education, communication and institutional strategies.

It was also pointed out that the objective of self-reliance as articulated in Indian plans had several dimensions of which the most important ones are a reduction in the dependence on foreign aid, diversification of domestic production and a consequential reduction in imports for certain critical commodities and the promotion of exports to enable us to pay for imports from our own resources” [Planning Commission, 1981:6]. It was further pointed out that: “In the Indian development strategy, self-reliance has been conceptualised not merely in terms of reduced dependence on aid, but also, in terms of
building up domestic capabilities and reducing import dependence in strategic commodities, where the country’s requirements are large and hence import demand could affect world prices, or where insecurity of supplies could have wide-ranging repercussions on the economy. A crucial component of the strategy for self-reliance was the containment of the external debt service ratio within a manageable level.

It was also pointed out that: “The objective of social justice as articulated in the plans has two major dimensions. The first dimension is an improvement in the living standards of the poorest groups in society and the second is a reduction in inequalities in asset distribution” [Planning Commission, 1987:7]. Removal of poverty and unemployment are the crucial components of the strategy for growth with equity and they were explicitly stated objectives of the Sixth Plan. Almost half of India’s total population was below poverty line in 1977-78. The objective of social justice is also served by the ‘minimum needs programme’ which aims at an improvement in living conditions of the poor and their access to education and health. Environmental protection is also an important component of the pursuit of social justice. The cost of environmental degradation is generally borne by those who do not benefit from the activities which cause the degradation. In this process it is the poor.

While following the strategy of the Fifth Plan, the Sixth Plan paid particular attention to the strengthening and modernisation of infrastructure and provided more incentives to private sector investments by making provision for selective delicensing, and more liberal imports of capital goods. The slow growth in exports emerged as one of the principal weaknesses in the Balance of Payments during the sixth plan period.

The Seventh Plan envisaged that the Government has to play a major role in the development process in order to promote the interests of the poor, reduce disparities in income and wealth, curb regional inequalities in the level
of development, protect the environment, strengthen the scientific technological base for long-term growth and safeguard the interests of future generations. These are matters which cannot be left to the free play of market forces. Purposive Government intervention in these crucial areas is central to our growth strategy [Planning Commission, 1985:5]. The development strategy of the Seventh Plan aimed at a direct attack on the problems of poverty, unemployment and regional imbalances. It required for its success substantial improvements and economy in resource use. These improvements were to be achieved through the accelerated development of human resources, greater selectivity in the development and use of domestic technological capabilities, the widespread induction of new technologies in our farms, factories and offices, stronger emphasis on capacity utilisation and better project implementation and the pursuit of policies that would cut down cost of production particularly in the industrial sector." [Planning Commission, 1985:25].

The Eighth Five Year Plan was launched against the backdrop of momentous changes which took place in the World during the preceding one year or so. The end of the cold war, the transformations in Eastern Europe and the Soviet Union and the imminent emergence of a common market in Western Europe were events of historical significance. These changes were surely expected to have a profound impact on both the structure of international relations and the world economy. Simultaneously, most developing countries embarked on bold measures of reform in restructuring their economies and opening up to forces of competition, both domestic and foreign. The wave of economic reforms was sweeping the developing world. The hitherto centrally planned economies were disintegrating and were opening up to free market forces and competition. Economies of several regions were also getting integrated under a common philosophy of growth, guided by the market forces and liberal policies with the emphasis on autonomy and efficiency induced by
competition. Therefore, all these events were expected to have important implications for India in the 1990s.

On the eve of Eighth Plan, there were certain serious economic concerns which were reflected in the gap in the current account of balance of payments. This gap added to external debt and debt servicing at a higher pace, raised the share of short term loans resulting in a funding problem and caused a severe depletion of foreign exchange reserves leading to a serious crisis. "The growing fiscal gap and the sudden depletion of foreign exchange resources created a situation which put severe strains on the economic system leading to drastic import curbs, high rate of inflation and recession in industry". [Planning Commission, 1992:1].

Moreover, financing of the public sector plan depended increasingly more on high cost borrowing and deficit finance. There has been a mounting burden of subsidies and interest payments on the non-plan side of the Government budget. There has also been a severe drought during 1989-88 and the prices went on spiralling. The growth process stood threatened by fiscal imbalance and BOP crises. Adding to the weaknesses was the draft to mounting inefficiencies in public sector enterprises and fast diminishing marginal returns from public sector outlays even in social sectors like health, education, family welfare and employment generation. It was realised that in order to restore the stability and the sustainability of the growth process, it was not only necessary to overcome this crisis but to take measures that such a crisis never occurs. Therefore, a series of policy measures were proposed to be initiated to revitalise the economy. These included correction of fiscal imbalances, a downward adjustment of the external value of the rupee, the enlargement and liberalisation of replenishment licensing system, the new industrial policy and various other developmental measures. It was envisaged that the role of planning will largely be indicative and that, in large parts of
public sector operations, the principle of market economy should be accepted as the main operative principle.

In the foreword to the Eighth Plan, the Prime Minister observed: “There is today a recognition that in many areas of activity, development can best be ensured by freeing them to unnecessary controls and regulations and withdrawing State intervention”. At the same time, we believe that the growth and development of the country can not be left entirely to the market mechanism. The market can be expected to bring about an “equilibrium” between “demand” – backed by purchasing power- and “supply”, but it will not be able to ensure a balance between “need” and “supply”. Planning is necessary to overcome management, for taking care of the poor and the downtrodden, who are mostly outside the market system and have little asset endowment. It is thus not a choice between the market mechanism and planning; the challenge is to effectively dovetail the two so that they are complementary to each other” [Planning Commission, 1992].

This plan proposed the adoption of institutional approach and work out institutional strategies. The objective of the Eighth Plan was to lay a sound foundation for higher growth and to achieve the most significant goals, namely, improvement in the level of living, health and education of the people, full employment, elimination of poverty and a planned growth in population”. [Planning Commission, 1992:1].

1.3 Economic Crisis

The roots of India’s 1991 economic crisis can be traced back to her reaction to the earlier crisis of 1979-81 when world oil prices doubled. This exogenous shock changed India’s current account position from near balance in 1978 to a deficit of 2 per cent of GDP (30 per cent of exports) in 1991. Remarkably, there was hardly any current account adjustment for the rest of the decade despite favourable developments such as a softening of oil prices and
rising domestic oil production. The current account deficit averaged 25 per cent of exports from 1982 to 1994; from 1985 to 1990 it averaged no less than 40 per cent of exports. Heavy borrowing from the IMF and from commercial sources covered these deficits.

From 1982 to 1985 the persistence of current account deficits was the result of the almost complete stagnation of exports, which was in turn largely the result of an inappropriate exchange rate policy. The real exchange rate was allowed to appreciate by 15 per cent from 1979 to 1981 and remained at that level for the next four years. From 1986 exchange rate policy became more flexible and the real exchange rate depreciated substantially. Exports revived strongly in response and grew in real terms at 10 per cent per annum between 1986 and 1990. But by then the export boom was insufficient to outweigh the combination of rising interest payments on external debt and the rapid growth of imports induced by fiscal deterioration.

The fiscal deficit of the central government which had averaged about 4.5 per cent of GDP in the second half of the 1970s crept up to 8.5 per cent of GDP by 1985–86 and stayed at that level thereafter. Similar increases occurred in the deficits of the consolidated government and of the public sector as a whole. This marked deterioration in the public finances was responsible both for the persistence of the current account deficit and the inflationary upsurge at the end of the decade. The Indian macroeconomic crisis was precipitated mainly by the growth of the public spending through the 1980s that increased the budget deficit as a proportion of GNP, although external shocks played a fortuitous contributory role.

The state of India's public finances had indeed reached crisis proportions by the end of the 1980s. The public debt-to-GNP ratio increased through the 1980s, going up to almost 60 per cent at the end of the decade. The proximate reasons for this situation were the failure of the public sector to generate invisible resources and the explosive growth of governmental current spending.
that saw the budget deficit as a proportion of GDP rise from 6.4 to 9 per cent during the 1980s.

Of course, the failure of the public sector enterprises to generate profits (and hence their contribution to the macroeconomic crisis) is a macroeconomic efficiency failure. But, in turn, because these enterprises have dominated the provision of infrastructure and critical intermediates, their inefficiency has led to downstream inefficiencies in a multiplier fashion. Then again, the restrictive trade and industrial licensing framework, for instance, led to serious loss of efficiency by reducing the scale of output, eliminating effective competition, creating bottlenecks, and in myriad other ways. The result was to reduce the returns from our investments and our growth rate. In turn, surely the revenues raised from the economy, for any given tax rates, were adversely affected, the political ability to raise tax rates in a situation of slowly-growing incomes was impaired, and the necessity to undertake budgetary expenditures to support the creation of public-sector jobs and for consumption were also increased. All these factors contributed to the budget deficit crisis.

The rise in foreign borrowing was a major component of the fiscal crisis, reflecting in turn the excess of domestic expenditure over income. Thus, the external public-sector debt increased greatly as a proportion of GNP during the 1980s, rising to 21 per cent by 1987-88. This increase in external indebtedness meant that debt service as a proportion of exports increased more than threefold to 32 per cent in 1986-87 from 1980-81.

In fact, foreign exchange reserves plummeted to less than ten days of imports by the beginning of 1991, prompting borrowing from the IMF in January of loans with $1.8 billion and then again, as reserves fell perilously low again and the prospect of NRI-deposit withdrawal and of overnight-borrowing recall a worrisome reality, in October 1991.

The macro imbalance, fuelled by the budget deficit and financed by the external borrowings and the decumulation of reserves, was accompanied by
accelerated inflation to double-digit levels. Evidently, a stabilization program, reversing the growth in the budget deficit and tightening monetary policy, was called for. This, the economic reforms sought to do.

The center’s internal rupee debt as a proportion of GDP has increased from 35.6 per cent in 1980-81 to 53.3 per cent in 1990-91. The large size of the debt has meant that interest payments (net of dividends and profits from public sector enterprises) as a proportion of total central governmental expenditure have increased between 1980-81 and 1991-92 from 5.4 per cent to 14.8 per cent.

In sum, India’s economic reform began in the middle of a macroeconomic crisis that erupted in early 1991. The crisis was brought to a head by a steep fall in foreign exchange reserves to about $ 1 billion (equal to two weeks’ imports), a sharp down grading of India’s credit rating, and a cut-off of foreign lending. Its basic underlying features were high inflation (12 per cent and rising), large public and current account deficits (approximately 10 per cent and 3 per cent of GDP, respectively), and, a heavy and growing burden of domestic and foreign debt. An inflow of foreign exchange from non-resident Indians was reversed.

1.4 Purpose and Methodology of the Study


The specific objectives of the present study is to analyse the impact of economic reforms on the Indian economy with reference to the fiscal reforms, financial sector reforms, industrial and trade policy reforms. Throughout the study, secondary data is used. The resources of the same are CMIE Monthly Bulletins, RBI’s Handbook of Statistics on Indian Economy, World Bank’s Publications, and the Government of India’s Economic Surveys.

1.5 Chapter Outline

The present Chapter 1 serves the purpose of introduction to the present study.

In Chapter 2 we discuss the specific fiscal policy reforms that are implemented from July 1991 to March 2002 to improve India’s fiscal position. In doing so, an attempt is made to provide a review of the impact of these reforms on the Indian economy.

In Chapter 3 we discuss the main recommendations of both the Committees on Financial System and in the light of these recommendations we discuss the specific reforms taken in the money market, primary capital market, corporate governance, and the secondary capital market. In doing so we also point out the impact of these reforms on the Indian economy.

In Chapter 4 we discuss the new industrial policy of July 1991 and the initiation of the industrial policy reforms. In doing so we point out various measures initiated to review industrial growth and the performance of industrial
sector. We also point out the various measures taken to improve the legal framework as also the public enterprise policy and the process of privatisation.

In Chapter 5 we make an attempt to provide a review of the impact of a decade of trade reforms on the Indian economy. In doing so we discuss the process of trade liberalisation, export promotion measures, imports liberalisation measures and their impact on India’s GDP and trade.

In the concluding Chapter 6, we summarize the main points of the present study and make certain suggestions.