ECONOMIC REFORMS IN INDIA SINCE 1991

Economic reforms hinge upon:

(i) The policy of Liberalisation (L) in place of licensing (L) for the industries and trade.

(ii) The policy of privatisation (P) in place of quotas (Q) for the industrialists.

(iii) The policy of globalisation (G) in place of permits (P) for exports and imports.

Accordingly, new economic policy is often described as the policy of Liberalisation, Privatisation and Globalisation (LPG) in place of Licence, Permit and Quota (LPQ).

NEED FOR ECONOMIC REFORMS

(i) Mounting Fiscal Deficit

(ii) Adverse Balance of Payments (BOP

(iii) Fall in foreign Exchange reserves

(iv) Rise in Prices

(v) Poor Performance of Public sector Undertakings
(vi) International Pressures

Three Main Features of NGP

- LIBERALISATION
- PRIVATISATION
- GLOBALISATION

Liberalisation

It refers to the freedom of the producing units from direct or physical controls by the Government.

Economic Reforms under Liberalisation

(1) Industrial Reforms
(i) Abolition of Industrial Licensing
(ii) Contraction of public sector
(iii) Dereservation of production Area.

(iv) Expansion of production capacity
(v) Freedom to import capital goods

(B) Financial Sector Reforms.

(C) Fiscal Reforms

- Tax structure fairly simplified & moderated.

(d) External Sectors Reforms

(i) Import quotas have been abolished
(ii) Import licensing is done away with (except in case of goods which are not environment-friendly & are hazardous)
(iii) Import duty has been moderated to enhance competitiveness in the domestic market.

(iv) Export duty has been moderated or withdrawn to enhance competitiveness of Indian goods in the international market.

Briefly, trade policy after liberalisation is to facilitate integration of the Indian market with rest of the world with a view to enhancing economic growth through global competition rather than non-competitive controls & protection.