

Vol III Issue X April 2014

ISSN No :2231-5063

---

# International Multidisciplinary Research Journal

## *Golden Research Thoughts*

Chief Editor  
Dr.Tukaram Narayan Shinde

---

Publisher  
Mrs.Laxmi Ashok Yakkaldevi

Associate Editor  
Dr.Rajani Dalvi

Honorary  
Mr.Ashok Yakkaldevi

## Welcome to GRT

**RNI MAHMUL/2011/38595**

**ISSN No.2231-5063**

Golden Research Thoughts Journal is a multidisciplinary research journal, published monthly in English, Hindi & Marathi Language. All research papers submitted to the journal will be double - blind peer reviewed referred by members of the editorial board. Readers will include investigator in universities, research institutes government and industry with research interest in the general subjects.

### **International Advisory Board**

Flávio de São Pedro Filho Federal University of Rondonia, Brazil	Mohammad Hailat Dept. of Mathematical Sciences, University of South Carolina Aiken	Hasan Baktir English Language and Literature Department, Kayseri
Kamani Perera Regional Center For Strategic Studies, Sri Lanka	Abdullah Sabbagh Engineering Studies, Sydney	Ghayoor Abbas Chotana Dept of Chemistry, Lahore University of Management Sciences[PK]
Janaki Sinnasamy Librarian, University of Malaya	Catalina Neculai University of Coventry, UK	Anna Maria Constantinovici AL. I. Cuza University, Romania
Romona Mihaila Spiru Haret University, Romania	Ecaterina Patrascu Spiru Haret University, Bucharest	Horia Patrascu Spiru Haret University, Bucharest,Romania
Delia Serbescu Spiru Haret University, Bucharest, Romania	Loredana Bosca Spiru Haret University, Romania	Ilie Pinteau, Spiru Haret University, Romania
Anurag Misra DBS College, Kanpur	Fabricio Moraes de Almeida Federal University of Rondonia, Brazil	Xiaohua Yang PhD, USA
Titus PopPhD, Partium Christian University, Oradea,Romania	George - Calin SERITAN Faculty of Philosophy and Socio-Political Sciences AL. I. Cuza University, Iasi	.....More

### **Editorial Board**

Pratap Vyamktrao Naikwade ASP College Devrukh,Ratnagiri,MS India	Iresh Swami Ex - VC. Solapur University, Solapur	Rajendra Shendge Director, B.C.U.D. Solapur University, Solapur
R. R. Patil Head Geology Department Solapur University,Solapur	N.S. Dhaygude Ex. Prin. Dayanand College, Solapur	R. R. Yaliker Director Managment Institute, Solapur
Rama Bhosale Prin. and Jt. Director Higher Education, Panvel	Narendra Kadu Jt. Director Higher Education, Pune	Umesh Rajderkar Head Humanities & Social Science YCMOU,Nashik
Salve R. N. Department of Sociology, Shivaji University,Kolhapur	K. M. Bhandarkar Praful Patel College of Education, Gondia	S. R. Pandya Head Education Dept. Mumbai University, Mumbai
Govind P. Shinde Bharati Vidyapeeth School of Distance Education Center, Navi Mumbai	Sonal Singh Vikram University, Ujjain	Alka Darshan Shrivastava Shaskiya Snatkottar Mahavidyalaya, Dhar
Chakane Sanjay Dnyaneshwar Arts, Science & Commerce College, Indapur, Pune	G. P. Patankar S. D. M. Degree College, Honavar, Karnataka	Rahul Shriram Sudke Devi Ahilya Vishwavidyalaya, Indore
Awadhesh Kumar Shirotriya Secretary,Play India Play,Meerut(U.P.)	Maj. S. Bakhtiar Choudhary Director,Hyderabad AP India.	S.KANNAN Annamalai University,TN
	S.Parvathi Devi Ph.D.-University of Allahabad	Satish Kumar Kalhotra Maulana Azad National Urdu University
	Sonal Singh, Vikram University, Ujjain	

**Address:-Ashok Yakkaldevi 258/34, Raviwar Peth, Solapur - 413 005 Maharashtra, India**  
**Cell : 9595 359 435, Ph No: 02172372010 Email: ayisrj@yahoo.in Website: www.aygrt.isrj.net**



## REVIEW OF ECONOMIC REFORMS IN INDIA

**Roshankumar M. Bhigania**

Yeshwant Mahavidhyalay, Nanded.

**Abstract:-** Most of the reforms in India since 1991 are broadly first-generation reforms, across various sectors, except some which could be characterized as second-generation, but more focused on first-generation reforms. They have been central government -driven in their area of domain. They have been discussed sector-wise in the previous sections, but are being revisited, to facilitate a greater cohesive comprehension.

**Keywords:** Economic Reforms ,characterized , industrial policy .

### INTRODUCTION

#### Industrial sector reforms are as follows:-

- 1)The industrial policy of 1991 also known as the policy of liberalization marked the dismantling of the industrial licensing system, larger role for the private sector and move towards a competitive environment.
- 2)This has allowed the expansion of the private sector, greater maturity and their presence in all sectors of the economy including core industries such as oil, power and other critical industries.
- 3)There has been diversification of the industrial base with a large number of industrial goods being produced.
- 4)The public and private sector are now operating in a competitive environment bringing out the mixed economy character very clearly.
- 5)The private sector post-reforms have helped to increase the industrial growth and lifted the overall plane of economic growth.
- 6)The private sector has gone aggressively for global acquisitions helping them to emerge as global players in the international market. For example, Tata-Corus Jaguar, TCS, Videocon, ONGC, etc.
- 7)Public sector also has been given greater autonomy for operational flexibility in the competitive environment.

It has led to establishing India as a market economy with pricing of most industrial goods as market -determined, except for certain petro goods.

The increased production of private sector and their growth in the last two decades has been impressive leading to higher growth and also increased overall investments in the economy which will make a 10 per cent overall growth, a reality, in the not too distant future.

#### FINANCIAL SECTOR REFORMS:-

The financial sector reforms in the banking sector was largely driven by the 'Narasimham Committee' recommendations which allowed for liberal entry of private and foreign banks letting for greater competition, diversified products and vastly improved services. Major areas of reform in the banking sector were as follows|:

- 1)Liberal entry of private sector and foreign banks. It is as part of the reforms that today there are also private sector banks operating along with the public sector banks.
- 2)Public sector was given greater autonomy to function in a competitive environment and frame-independent policies based on broad framework provided by RBI.
- 3)Interest rates both the deposits as well as advances were deregulated and each bank was free to decide on the interest rates it chose to offer.

4) Similarly, in respect of lending rates while banks were free to decide on the interest rate they would charge, they had to publish the lowest rate of interest. They would charge to their best clients known as the benchmarked prime lending rate (BPLR).

More recently during 2010, RBI has asked the banks to adopt the base rate of interest, and that no lending would be done by banks below their respective published base rate of interest.

5) Banking was made more transparent, stress on full disclosure of both the good as well as bad assets.

6) There was standardization and uniform income recognition, asset classification and provisioning norms for the banking sector.

For the first time, a uniform definition was given to non-performing assets (NPAs) known as the 90 days norms. Thus, interest on loans given if not received within the stipulated time period would need to be classified as an NPA.

7) Realizing that banking is risky business having normal risk is in lending and to safeguard interest banks were required to adhere to 'capital adequacy' norms in terms of international best practices (more about this later in this section).

The overall objective was to bring in greater competition in the banking sector by allowing for better products and improved services and fine-tuned interest rates to support the financial needs of a growing economy like India and enable bigger banks in India to emerge as global banks. Insurance-sector reforms were driven by the 'Malhotra Committee' recommendations which, for the first time opened the insurance sector, even though partially, to the private sector, from the complete government-dominated insurance sector.

The insurance sector has been opened up 100 per cent for the private sector but restricted to 26 per cent equity participation for foreign insurance companies. Post-reforms a large number of insurance companies in the private sector have become operational in the country.

#### **TAX REFORMS:-**

One of the major aspects of reforms has been in the areas of taxation of moving to a value added Tax (VAT) system and conversion of the sales tax regime into homogenized state VAT. A still far ambitious reforms which will provide for an efficient indirect tax regime is moving to a uniform goods and services tax (GST). Similarly, the direct tax code once made operational would considerably simplify the direct tax system providing for far greater tax compliance.

#### **TRADE SECTOR REFORMS:-**

However, the most profound impact has been through the trade sector reforms, an integral part of economic reforms much wider in nature.

a) These reforms have given the clear signal of opening the economy and larger role for exports, capital flows and competitive, efficient and productive domestic economy.

b) More specifically, reforms covered moving towards market-determined exchange rate, replacing FERA with FEMA, current account convertibility and fairly open capital account and liberalized external commercial borrowings by the private sector.

c) It also liberalized the foreign investment policy to attract foreign investment and eased restrictions on capital inflows.

d) These measures have been largely responsible for increasing exports and increased share in global trade of goods and services.

e) The external transactions are now over 100 per cent of the GDP, built-up foreign exchange reserves providing an import cover of over 7 months as against barely seven days during 1991.

However, the most notable aspect of reforms has been the fact, that not only India got out of the crisis, not only repaid but prepaid its liabilities to the IMF and has turned as a lender from a borrower' to the IMF. It has earned the status of an emerging economy, changed the global perspective of India and now having a larger say in global matters. It has emerged as the second fastest growing economy of the world after China, in a short time of just about two decades.

#### **CONCLUSIONS:-**

It is in these, not able to implement 1000 of smaller reforms, it can be said that reforms in India have slowed down, if not paused by the government and not because of its inability to push through bolder norms. It is not the ability to push bolder reforms which is being questioned, but as mentioned previously, in their ability to flag them and provide a platform for a broad-based consensus, which is being questioned. The other is government-reforming itself, which is relatively easy but still difficult requires a strong will and still more important a decisive discipline and a consciousness of their larger responsibilities towards the national interests rather than party interest.

**REFERENCES:-**

1. "Financial Services in India" by V.A. Avdhani.
2. "Indian Economy" by Rudar Dutt and Sundaram.
3. "Indian Economy" by Mishra and Poori
4. "Reserve Bank Bulletins"
5. "The Economic Times of India" Mumbai.



**Roshankumar M. Bhigania**  
Yeshwant Mahavidhyalay, Nanded.

# Publish Research Article International Level Multidisciplinary Research Journal For All Subjects

Dear Sir/Mam,

We invite unpublished Research Paper, Summary of Research Project, Theses, Books and Book Review for publication, you will be pleased to know that our journals are

## Associated and Indexed, India

- \* International Scientific Journal Consortium
- \* OPEN J-GATE

## Associated and Indexed, USA

- EBSCO
- Index Copernicus
- Publication Index
- Academic Journal Database
- Contemporary Research Index
- Academic Paper Database
- Digital Journals Database
- Current Index to Scholarly Journals
- Elite Scientific Journal Archive
- Directory Of Academic Resources
- Scholar Journal Index
- Recent Science Index
- Scientific Resources Database
- Directory Of Research Journal Indexing

Golden Research Thoughts  
258/34 Raviwar Peth Solapur-413005, Maharashtra  
Contact-9595359435  
E-Mail-ayisrj@yahoo.in/ayisrj2011@gmail.com  
Website : www.aygrt.isrj.net