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Impact of Economic Reforms in Indian Society

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Abstract: Economic reforms have an important impact on Indian society economy. There in many changes in Indian economy, after adopted the policy of LPG. Developed nation show their interest in Indian market and try to invest in Indian economy on track to achieve profit and for extend their market. Therefore, Indian economy came on track which loose in decade of 1980's liberalization, privatization and globalization came in behavior after the economic reforms. Foreign investors started the investment in many sectors. Many of the public enterprise's power transfer to private sector. Indian economy opened for all foreign investors and MNCs. This discusses the impact of economic reforms in India.

Keywords: Economics Reforms, Manmohan Era, Indian Society , Economy.

Introduction :- Economic reforms in India started on 24 July 1991. After independence in 1947, Indian adhered to socialist policies. Attempts were made to liberties the economy in 1966 and 1985. The first attempt was reversed in 1967. Thereafter a wrong version of socialism was adopted. The second major attempt was in 1985 by Prime Minister Rajiv Gandhi. The process came to a halt in 1987. Through 1966 style reversal did not take place. In 1991 after India faced a balance of payments crisis, reversal did not take place. In 1991 after India faced a balance of payments crisis, it had to pledge 20 tones of gold to Union Bank of Switzerland and 47 tones to Bank of England as pan of a bailout deal with International monetary fund. In addition the IMF required India to undertake a series of structural economic reforms. As a result of this requirement the government of P.V. Narasimha Rao and his finance minister Dr. Manmohan Singh started back through reforms, although they did not implement many of the reforms the IMP wanted. The new neo-liberal policies included opening for international trade and investment, deregulation initiation of Privatization. tax reforms, the inflation controlling measures. The overall direction of liberalization has since remained the same irrespective of the ruling party, although no party has yet tried to take on powerful lobbies such as the trade union and farmers and reducing agricultural subsidies. The fruits of liberalization reached their peak in 2007. When India recorded its highest GDP growth rate of 9%, with this India became the second fastest growing major economy in the world, next only to

China. The growth rate has allowed significantly in the first half of 2012. OECD report states that the average growth rates 7.5% will double the average income in a decade, and more reforms speed up the pace. There has been significant debate, however, around liberalization as an inclusive economic growth strategy. Since 1992 income inequality has depended in India with consumption among the poorest staying stable while the wealthiest generate consumption growth. As India's GDP growth rate became lowest in 2012-13 over a decade, growing merely at 5% more criticism of India's economic reforms surfaced. As it apparently failed to address employment growth, nutritional solutes in terms of food intake in calories and also export growth and there by leading to worsening level of current account deficit compared to the prior to the reform period.

Impact of Economic Reforms: The measures that have been undertaken as part of the economic reform programme so far have benefited the economy people in various ways. They have resulted in a sea change in the standards of living and life-styles of people. The benefits that have already accrued are enormous. Some of these are discussed in brief in the following paragraphs:

Improvement in Performance of the Economy-National Product: The economy's performance in the post reform era has been quite impressive. The reforms started in year 1991 and if one leaves out 1991-92, which was exceptionally a bad year, the average annual growth rate between 1992-93 and 1999-2000 was 6.3%. Per capita income and capital accumulation were all higher and their coefficients of variations lower during 1992-2001 than in the 1970s or 1980. The GNP at Factor Cost at current prices grew by 300% during 1990-91 to 2000-01 as against 283% during 1980-81 to 1990-91 and the NNP at Factor Cost at current prices went up by 304% during 1990-91 to 2000001 as against 278% during 1980-81 to 1990-91. With regard to per capita NNP at Factor Cost at current prices, the increase was 232% during 1990-91 to 2000-01 and 206% during 1980-81 to 1990-91. The absolute figures relating to National Product at Factor Cost at current prices can be seen below (Table 3.1).

Table 3.1 : Estimated National Product at Factor Cost at Current Prices

Item	1980-81	1990-91	2000-01
GNP (Rs.crore)	122772	470269	1885713
NNP (Rs.crore)	110685	418074	1687818
Per Capita NNP (Rs.)	1630	4983	16563
GNP Index (1980-81=100)	100	383	1536
NNP Index (1980-81=100)	100	378	1525
Per Capita NNP (1980-81=100)	100	306	1016

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Source : Statistical Abstracts – India – 1997 & 2003 published by Central Statistical Organisation, Government of India

Looking at the index, it is seen that GNP shot up by 1153 points during 1990-91 to 2000-01 as compared to 283 points during 1980-81 to 1990-91. The NNP grew by 147 points during 1990-91 to 2000-01 as compared to 278 points during 1980-81 to 1990-91 and the Per Capita NNP increased by 710 points during 1990-91 to 2000-01 as against 206 points during 1980-81 to 1990-91.

Wide Choice of Consumer Goods and Services: Economic reforms have resulted in a sea-change in the standards of living and life-styles of people. The benefits that have already accrued are enormous. Today, one has variety of choices to choose from with regard to many of the consumer durables like fridges, televisions, music systems, DVDs, cars etc. Foreign brands of many of the consumer durables are easily available. Due to cutthroat competition, the prices of consumer durables have either come down or remained static. The T.V. viewers today enjoy 24-hour news channels. These 24-hour news channels and other channels depend heavily on the advertising industry, which in turn, depends on India's increasing transformation into a consumerist society.

Easy Availability of Bank Loans: In the pre-reforms era, getting loan from a bank was unthinkable for a common man. The scenario has completely changed today. The reforms carried out in the banking sector have led to easy availability of loans. Banks are running after customers today requesting them to take loans. Lending rates have fallen. Computerization and installation of ATMs have brought sea change in the services being rendered by banks. Indian banks have started giving "European" look. The day is not far off when Indian banks may be preferred when compared to foreign banks.

Growth in Employment Opportunities and Better Emoluments: Employment opportunities have tremendously increased due to coming up of many new domestic private companies as well as multinational companies (MNCs). Many of the foreign companies are now outsourcing their jobs to India thereby increasing the job opportunities available in the country. In 1991, many Indians were terrified that globalization would cost us millions of jobs. Today, American politicians are terrified that millions of their jobs will be outsourced to India. The latest business to be outsourced to India by the US is mathematics coaching. Health services such as pathological and radiological tests are also being outsourced to India by some countries now. The jobs that have come up in computer software and call centres could not have been predicted ten years ago. The economic reforms have not only increased the job opportunities in India, but have also raised pay packages in many of the sectors benefiting the youngsters from the middle-class. This scenario has come up because the MNCs, which have set up their plants/units in India, pay much higher emoluments than the domestic companies. One important sector, which has vastly expanded and has generated vast employment opportunities in the country after liberalization, is the 'Information Technology'. Other notable sectors in this connection are the telecom, automobiles, civil aviation and electronics.

Large Reserves of Foreign Exchange: In the pre reforms era, the country did not have large reserves of foreign exchange and therefore, was not easily available for a person traveling abroad. The procedure for getting foreign exchange was very cumbersome and one had to run from pillar to post to get even a small amount of foreign exchange. There were widespread illegal transactions in foreign exchange. The situation has changed and today foreign exchange is easily available in any amount for persons traveling abroad. The removal of restrictions has also helped in eliminating "black money" generated as a result of illegal transactions in foreign exchange. This is mainly because of the tremendous increase in foreign exchange reserves of the country. The foreign exchange reserves increased from US$ 5.8 billion (amounting to 2.5 months import bill) in 1990 to US$ 42.2 billion (providing an import cover for 8.6 months) in 2001.

Vast Expansion in Telecommunications: A notable revolution has occurred in the telecom sector. In the pre reforms era, this was entirely in the hands of the central government and due to lack of competition, the call charges were quite high. Further, due to lack of funds with the government, the government could never meet the demand for telephones. In fact, a person seeking a telephone connection had to wait for years before he could get a telephone connection. The service rendered by the government monopoly was also very poor. Wrong billing, telephones lying dead for many days continuously due to slackness on the part of the telecom staff to attend to complaints, cross connections due to faulty / ill maintained telephone lines, department were the order of the day in the pre reforms era.

Today, there are many players in the telecom sector. The ultimate beneficiary has been the consumer. Prices of services in this sector have fallen drastically. Telephone connections are today affordable to everyone and are also easily available. Gone are the days, when one had to wait for years to get a telephone connection. The number of telephone connections which was only 2.15 million (fixed lines) in 1981 increased to 5.07 million(fixed lines) in 1991. Today (as in

2003), there are 54.62 million telephone connections of which 41.33 million are fixed line telephone connections, 12.69 million are cellular mobiles and the remaining 0.60 million are WLL telephones. Wireless in Local Loop (WLL) telephones and cellular mobile telephones were unknown in India a few years ago. Cell phones charges have come down so much that today one can see even a common man going around with a cell phone in his hand. The private companies are giving various incentives to attract customers, a situation which is entirely opposite to the conditions prevailing in the pre reforms era when one had to wait for years to get a telephone connection.

Civil Aviation – Growth in Air Travel: For a common man of India, traveling by air would have remained a dream, had there been no reforms. The civil aviation was the monopoly of the central government and the fares were very high. There has been a vast expansion in the civil aviation sector due to reforms. Monopoly has been replaced by stiff competition. There are already many private airlines and more are being added. Due to cutthroat competition, prices are continuously falling and every company is thinking of new incentives to attract customers. Air Deccan's lowest air fare is Rs. 500. Indian Airlines, Air Sahara and Jet Airways have already announced four levels of fares without any advance booking prerequisites. The lowest-level fare varies from 60-80% of the highest-level fare. The number of flights for important destinations has increased considerably. Air travel has become cheaper and more comfortable. The day is not far off when air will become the most popular mode of transport for an average Indian. It has to be noted that not only domestic airfares have fallen, but fares for flying to foreign destinations have also come down drastically.

The number of hours flown under domestic services registered a fantastic growth of 138% during 1990-91 to 2002-03 as against a mere 27% during 1981 to 1990-91 (total number of hours flown under domestic services: 98000 in 1981, 124000 in 1990-91 and 295000 in 2002-03) The growth in the number of passengers carried in the domestic sector increased from 42% during 1981 to 1990-91 to 76% during 1990-91 to 2002-03 (passengers carried: 5560000 in 1981, 7912000 in 1990-91 and 13951000 in 2002-03). In terms of index, if 1981 is taken as the base year (index = 100), then the index for 1990-91 works out to 142 and 250 for 2002-03, thereby showing that the index went up by 108 points during 1990-91 to 2002-03 as against 42 points during 1981 to 1990-91.

Easier Access to Foreign Technology: One of the greatest benefits of economic reforms has been the free flow of global technology. A case in point is the cell phone technology, which came into India after liberalization. Had

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there been no reforms, this technology would have taken much more time to make entry into India. Due to easy accessibility to latest foreign technology, many of the private companies are adopting latest technology in their production processes to increase production and productivity, as well as to lower production costs to benefit the consumer.

Significant Fall in Poverty Ratio: There has been a spectacular achievement in the sphere of poverty alleviation. The poverty ratio decreased from 36% in 1993-94 to 26.1% in 1999-2000 – a fall that was steeper than that in the 1970s or 1980s. Over the six-year period 1977-1978 to 1983, the poverty ratio fell from 51.3 to 44.5 percent; the decline between 1987-1988 and 1993-94 was from 38.9% to 36%. Indeed, while from the mid- 1980s to early 1990s, the absolute number of the poor continued to hover around 320 million, the number registered a significant fall at 260 million by 1999-2000. The percentages of population below the poverty line for urban and rural areas separately can be seen below (Table 3.2).

Table : 3.2 : Percentage of population below the poverty line in India

Year	Rural	Urban	Total
1973-74	56.4	49.0	54.9
1977-78	53.1	45.2	51.3
1983	45.7	40.8	44.5
1987-88	39.1	38.2	38.9
1993-94	37.3	32.4	36.0
1999-2000	27.1	23.6	26.1

Source : Selected Socio-Economic Statistics-India-2002, published by the Central Statistical Organization, Govt. of India

Fall in Inflation Rate: Economic reforms pushed up production of goods and services in the country resulting in either prices falling or remaining constant. The fall in inflation rate can be attributed to some extent to a substantial decline in consumer price inflation. The rate of consumer price inflation, which was always in double digits during 1990-1993, fell sharply to less than 4% by the end of the millennium. It has to be noted that prices of many of the consumer durables like TVs, ACs, washing machines, fridges, and computers have either nose dived or remained constant.

Better Performance after Privatization: Many public sector companies have been privatized after 1991. It has been reported that productivity and production in all these companies have gone up very high after privatization. The liberalized economic policy

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freed entrepreneurs to enable them to innovate and go in for modernization of their plants. The Bharat Aluminium Company Ltd. introduced VRS for its employees after privatization and went in for computerization in a big way. The plant was also modernized. All this has led to increased efficiency and significant increase in production.

Remarkable Growth in Foreign Trade: The most remarkable improvement in the economy's performance has been, in the external sphere. The trade-GDP ratio crawled from 13.6 to 14.2 percent between 1980-1981 and 1989-1990, but jumped to 22.1% by 2000-2001. The 1990s also saw a reversal of the declining trend in India's share of exports in world trade, with the share registering an increase from 0.5 to 0.6 percent between the beginning and the end of the decade. The total value of imports increased from Rs. 1254915 lakh in 1980-81 to Rs. 4319286 lakh in 1990-91 and to Rs. 29720587 lakh in 2002-03, thereby showing a growth rate of about 244% between 1980-81 and 1990-91 and 588% between 1990-91 and 2002-03. As regards exports, the value increased from Rs. 671070 lakh in 1980-81 to Rs. 3255334 lakh in 1990-91 and to Rs. 25513728 lakh in 2002-03, thereby showing a growth rate of about 385% between 1980-81 and 1990-91 and 683% between 1990-91 and 2002-03.

The Unit Value Index of imports rose by 278 points during 1990-91 to 2002-03 as against 134 points during 1980-81 to 1990-91 (Unit Value Index of Imports: 134 in 1980-81, 268 in 1990-91 and 546 in 2002-03. Base year: 1978-79 =100). The Quantum Index of imports rose by 564 points during 1990-91 to 2002-03 as against 100 points during 1980-81 to 1990-91(Quantum Value Index of imports: 138 in 1980-81, 238 in 1990-91 and 802 in 2002-03. Base year: 1978-79 = 100). With regard to exports, the Unit Value Index rose by 327 points during 1990-91 to 2002-03 as against 184 points during 1980-81 to 1990-91 to 2002-03 as against 184 points during 1980-81 to 1990-91 (Unit Value Index of Exports: 109 in 1980-81, 293 in 1990-91 and 620 in 2002-03. Base Year: 1978-79 =100), The Quantum Index of Exports jumped up by 528 points during 1990-91 to 2002-03 as against just 86 points during 1980-81 to 1990-91 (Quantum Index of Exports: 108 in 1980-81, 194 in 1990-91 and 722 in 2002-03. Base year: 1978-79 =100). These figures clearly prove the vast expansion in foreign trade after ushering in of the economic reforms.

Regulated Capital Market: There was a "free for all" atmosphere in the stock market prior to the introduction of regulation of capital market. There were many "scandals" in the stock market, which pauperized small investors. The setting up of SEBI (Stock Exchange Board of India) has greatly helped the government to keep an eye on the stock market and regulate it to protect small investors. Trading in shares has become very easy, quick and transparent. Stock Exchange brokers can no more take small investors for a ride. Due to dematerialization of shares, the investors have been freed from botheration of getting delivery of shares and sending the same to the concerned companies for transfer of names etc. Further, delays in transfer of shares, loss/pilferage of share certificates, the need to keep shares in safe custody by the investors have become a thing of the past.

Increasing Foreign Direct Investment: There is no doubt that after liberalization, foreign investment as well as domestic private investment has increased by leaps and bounds. During 1991-92 (August-March), the foreign direct investment inflows were only Rs. 408 crore and the figure increased to Rs. 1094 crore during 1992-93. During 2003-04, the FDI inflows were Rs. 12117 crore, which is more than ten times the figure of 1992-93. The FDI inflows during 2004-05 were Rs. 11726 crore up to November 2004. Foreign investors are showing a keen interest in investing in India. A confidence survey by global consultancy AT Kearney rated India as the third most favored FDI destination, next only to China and the United States.

Easy Availability of Motor Vehicles: There has been tremendous expansion in the automobile industry after ushering in of economic reforms. In the pre reforms era, one had to wait for years to get a scooter or car. Black marketing in cars and scooters was rampant. Today, the car and scooter industries are running after customers. The number of registered motor vehicles increased from 5173013 in 1980-81 to 21374200 in 1990-91 and to 54991026 in 2000-01. Taking the base year as 1980-81 =100, the index for the years 1990-91 and 2000-01 works out to 413 and 1063 respectively, thereby showing an increase of 650 points in the index during 1990-91 to 2000-01 as against 313 points during 1980-81 to 1990-91.

Expanding Tourism: Economic reforms have brought prosperity in every sector and the tourism industry is no exception. The expansion in civil aviation sector seems to have made a very big positive impact on the tourism industry. The number of foreign tourists increased from 1279210 in 1981 to 1677508 in 1991 and to 2537282 in 2001. The flow of foreign tourists during 1991 to 2001 has, thus, been more than double the flow during 1981 to 1991 (859774 during 1991-2001 as against 398298 during 1981-1991). The index is considered as the base year with an index of 100. The increased flow of foreign tourists has been one of the factors that has pushed up our country's foreign exchange earnings considerably.

Growth in Tax Revenue of Central Government: When investments in industrial and other sectors expand, the benefits of such investments would also accrue to the central government in the form of more taxes. The tax revenue of the central government registered a sharp increase of Rs. 85293.2 crore during 2000-01 to 1990-91 whereas the corresponding figure during 1980-81 to 1990-91 was only Rs. 33620 crore. The tax revenues of the Central Government during 1980-81, 1990-91 and 2000-01 were Rs. 9358 crore, Rs. 42978 crore and Rs. 128271.2 crore, respectively. The index for 2000-01 keeping 1980-81 as the base (100), works out to 1370 as against 459, which indicates that the index rose sharply by 911 points between 1990-91 and 2000-01 as compared to 359 between 1980-81 and 1990-91. When there is more money in the kitty of the central government, it can take up more development-oriented and social welfare schemes.

Declining External Debt: The reforms undertaken in the external sector since 1991 has enabled India to place itself in a comfortable position as far as external debt is concerned. The policy focus of the government has been on concessional and relatively less expensive source of funds, preference for long maturity loans, monitoring of short-term debt and emphasis on non-debt creating capital flows. The focus has also been on prepayment of costly government and non-Government loans, rationalization of interest rates. The external debt to GDP ratio declined from 28.7 percent in 1991 to 17.8 percent in 2004. The ratio of external debt to current receipts came down sharply from 328.9 percent in 1991 to 95.5 percent in 2004. The short-term debt to GDP ratio declined from 2.9 percent in 1991 to 0.7 percent in 2004. The ratio of short-term debt to foreign exchange assets nose-dived from 382.1 percent in 1991 to 4.4 percent in 2004.

Comfortable Position of Balance of Payments on Current Account: One of the remarkable achievements of economic reforms has been the comfortable position with regard to balance of payments on current account. The balance of payments, which was adverse in the pre reforms era, made a turn around after reforms were ushered in. In the year 1980-81, there was a deficit of Rs. 2213.5 crore and this increased to Rs. 17366 crore in 1990-91, whereas in the year 2002-03, the balance of payments on current account was favourable with a net earning of Rs. 19987 crore. This was mainly because of earnings from “invisibles” which amounted to Rs. 82415 crore during 2002-03. The invisibles include earnings from export of services, remittances from Indian workers, income from financial assets and earnings from foreign tourists. Due to unbelievable expansion in the IT sector brought about by economic reforms, the earnings from export of services as well from remittances made by Indian IT professional employed abroad have given a big push to earnings from invisibles. The overall net earnings from merchandise and invisibles can be seen below:

Table 3.3 : Overall Balance of Payments on Current Account (Figures in Rs. Crore)

Item	1980-81	1990-91	2002-03
Net Earnings from merchandise	(—)6210.8	(—)16933	(—)62428
Net Earnings from invisibles	3997.3	(—)433	82415
Total Net Earnings	(—)2213.5	(—)17366	19987

Source : Statistical Abstracts – India – 1997 and 2003, published by the Central Statistical Organization, Govt. of India

CONCLUSION: One of the remarkable achievements of economic reforms has been the comfortable position with regard to balance of payments on current account. The balance of payment s, which was adverse in the pre reforms era/ made a turn around after reforms were ushered in. in the year 1980-81, there was deficit of Rs. 2213.5 crore and this increased to Rs. 17366 crore in 1990-91, whereas the year 2002-03, the balance of payment on current account was favorable with a net earning of Rs. 19987 crore. This was mainly because of earning from "invisibles "which amounted to Rs. 82415 crore during 2002-03 . The invisibles include earning from export of services, remittances from Indian workers, income from financial assets and earnings from foreign tourists. Due to unbelievable expansion in the IT Sector brought about by economic reforms, the earning from export of services as from remittances made by Indian IT professionals employed abroad have given a big push to earning from invisibles.

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