the reforms that were initiated in the year 1991. In the first section we shall briefly dwell on the rationale for going for such radical reforms – the factors that justified it. Then, we will point out the main contents of the reforms in the subsequent section. In the final part, we will highlight the main impacts of the reforms- their success and perceived failures.

14.3 ECONOMIC CRISIS PRIOR TO 1991 ECONOMIC REFORMS

By June 1991, Indian economy reached a stage of deep crisis. It was brought on by the Gulf War, lack of financial discipline of earlier governments, failure of monsoons, and accumulated external payment obligations. For the first time in history, India was close to defaulting on its international commitments. India's credit ratings were downgraded and she could not borrow from external commercial markets.

The crisis was exaggerated by the annual rate of inflation that had touched 17% by August, 1991. Foreign exchange reserves plummeted to a little above US$1billion which was barely sufficient to meet the country's import bill for a week. Fiscal deficit had reached the unsustainable level of 8.4% of the GDP. The Current Account deficit in the Balance of Payment (BOP) was about US$10 billion.

Though the immediate crisis that prompted the announcement of historic New Economic Policy originated in the external sector, the domestic scenario was also extremely discouraging. Failure of monsoon, high rate of inflation, unsustainable fiscal deficit, high debt-GDP ratio, BOP crisis as a fall out of the fall in remittances from the Gulf and failure to improve export, drying up of external funding sources, precarious foreign exchange reserve situation – all created a situation that called for urgent drastic changes the way economic activities are carried out in the economy. But it is important to note that the crisis that prompted the Government of India to embark on the path of reforms did not occur over night. It was the culmination of decades of mismanagement, faulty approach, and a lack of a pragmatic and comprehensive programme to take the economy along the desired line in

account deficit would be another chief concerns.

Achieving sustained growth would require long term increase in investment and savings rate.

13.7.2 Monitorable Targets of the Plan

Twenty Five core indicatorshave been listed by the Twelfth Five Year plan (FYP)which reflect the vision of rapid, sustainable & more Inclusive growth of the twelfth Plan as follows:

Economic Growth

- Real GDP Growth Rate of 8.0 per cent.
- Agriculture Growth Rate of 4.0 per cent.
- Manufacturing Growth Rate of 10.0 per cent.
- Every State must have an average growth rate in the Twelfth Plan preferably higher than that achieved in the Eleventh Plan.

Poverty and Unemployment

- Head-count ratio of consumption poverty to be reduced by 10 percentage points over the preceding estimates by the end of Twelfth FYP.
- Generate 50 million new work opportunities in the non-farm sector and provide skill certification to equivalent numbers during the Twelfth FYP.

Education

- Mean Years of Schooling to increase to seven years by the end of Twelfth FYP.
- Enhance access to higher education by creating two million additional seats for each age cohort aligned to the skill needs of the economy.
- Eliminate gender and social gap in school enrolment (that is, between girls and boys, and between SCs, STs, Muslims and the rest of the population) by the end of Twelfth FYP.

Health

- Reduce IMR to 25 and MMR to 1 per 1,000 live births, and improve

Child Sex Ratio (0-6 years)to 950 by the end of the Twelfth FYP.

- Reduce Total Fertility Rate to 2.1 by the end of Twelfth FYP.
- Reduce under-nutrition among children aged 0-3 years to half of the NFHS-3 levels by the end of Twelfth FYP.

Infrastructure, Including Rural Infrastructure

- Increase investment in infrastructure as a percentage of GDP to 9 per cent by the end of Twelfth FYP.
- Increase the Gross Irrigated Area from 90 million hectare to 103 million hectare by the end of Twelfth FYP.
- Provide electricity to all villages and reduce AT&C losses to 20 per cent by the end of Twelfth FYP.
- Connect all villages with all-weather roads by the end of Twelfth FYP.
- Upgrade national and state highways to the minimum two-lane standard by the end of Twelfth FYP.
- Complete Eastern and Western Dedicated Freight Corridors by the end of Twelfth FYP.
- Increase rural tele-density to 70 per cent by the end of Twelfth FYP.
- Ensure 50 per cent of rural population has access to 40 lpcd piped drinking water supply, and 50 per cent gram panchayats achieve Nirmal Gram Status by the end of Twelfth FYP.

Environment and Sustainability

- Increase green cover (as measured by satellite imagery) by 1 million hectare every year during the Twelfth FYP.
- Add 30,000 MW of renewable energy capacity in the Twelfth Plan
- Reduce emission intensity of GDP in line with the target of 20 per cent to 25 per cent reduction over 2005 levels by 2020.

Service Delivery

- Provide access to banking services to 90 per cent Indian households by the end of Twelfth FYP.

UNIT 14 : ECONOMIC REFORMS AND GLOBALISATION

UNIT STRUCTURE

14.1 Learning Objectives
14.2 Introduction
14.3 Economic Crisis prior to 1991 Economic Reforms
14.4 New Economic Policy of 1991
14.5 Indian Economy since Economic Reforms
14.6 Let Us Sum Up
14.7 Further Reading
14.8 Answers to Check Your Progress
14.9 Model Questions

14.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- derive the rationale for economic reforms in 1991,
- discuss the main contents of 1991 economic reforms, and
- critically analyse the impact of economic reforms on Indian economy.

14.2 INTRODUCTION

After four decades of central planning, characterized by commandeering heights of the public sector, license raj, myriad of control, and inward looking strategy, India embarked on the path of economic reform in 1991. The historic economic reforms were initiated by Dr. Manmohan Singh who was the Finance Minister in the P.V.Narasimha Rao led Government. The reforms that began our journey from plan to market economy started with the announcement of the New Industrial Policy, 1991 on July 24, 1991 that sought to “unshackle the Indian industrial economy from the cobwebs of unnecessary bureaucratic controls”. Since then, India has come a long way and continues to tread along its chosen path of liberalisation, privatisation, and globalisation. In this unit, we shall discuss

13.9 FURTHER READING

1) Dhar, P.K. (2018). Indian Economy: Its Growing Dimension. New Delhi: Kalyani Publishers.
2) Datt, G and Mahajan, A. (2016). Datt & Sundharam's Indian Economy. New Delhi: S. Chand & Co.
3) Misra, S.K. & Puri, V.K. (2018). Indian Economy. New Delhi: Himalya Publishing House.

13.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: c) 2002-07
Ans to Q No 2: d) a) and c)
Ans to Q No 3: (b)
Ans to Q No 4: a)
Ans to Q No 5: d)
Ans to Q No 6: a)
Ans to Q No 7: b)

13.11 MODEL QUESTIONS

Short Questions (Answer each question in about 150 words)

Q 1: Write a short note on Planning Commission
Q 2: Discuss about the failures of economic Planning in India.
Q 3: Discuss about various types of planning.
Q 4: What is decentralized planning? State its merits and demerits.

Long Questions (Answer each question in about 300-500 words)

Q 1: Explain the main objectives as incorporated in the various five year plans in India.
Q 2: Critically examine the approach of 12th Five Year Plan in India.

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- Major subsidies and welfare related beneficiary payments to be shifted to a direct cash transferby the end of the Twelfth Plan, using the Aadhar platform with linked bank accounts.

13.7.3 Sectoral Pattern of Growth under the Twelfth Five Year Plan

The sectoral pattern of growth associated with the 8.0 per cent growth is as follows:

- The Agriculture Forestry and Fishing Sector is projected to grow at 4 per cent, an improvement over the 3.7 per cent rate achieved in the Eleventh Plan.
- The Mining and Quarrying Sector grew by only 3.2 per cent in the Eleventh Plan, the growth rate being pushed down by negative growth of 0.6 per cent in 2011-12 reflecting problems in the iron ore sector, gas production and also coal. The Twelfth Plan assumes a substantial improvement with the growth rate averaging 5.7 per cent. The manufacturing sector decelerated in the course of the Eleventh Plan with a growth rate of only 2.7 per cent in 2011-12. The average growth rate in the Twelfth Plan period is projected at over 7 per cent which is a significant improvement over the situation in 2011-12 and 2012-13.
- Gas and water supply are projected to grow at 7.3 per cent on an average compared with 6.1. per cent achieved in the Eleventh Plan.
- Construction, which grew at 7.7 per cent in the Eleventh Plan, is projected to grow at an average rate of 9.1 per cent.
- The other service sectors are projected to grow fairly robustly with Trade Hotels and Restaurants at 7.4 per cent.
- Transport, Storage and Communication growth is at 11.8 per cent.
- Insurance and Business Service growth is at 9.9 per cent, and, finally, Community and Personal Services at 7.2 per cent.

13.7.4 Targets and Achievements of the Last Five Year Plan: A Critical Assessment

There have been quite a lot of important developments during the Eleventh Plan that have implications for financing of the Twelfth Plan. The Indian Economy robustly faced the global financial crisis of 2008. However, slower growth adversely impacts growth in Centre's resources, particularly taxes. The Sixth Central Pay Commission award has been implemented. The 13th FC award for 2011-15 is under implementation with some changes in the fiscal responsibility and budget management framework targets. Service tax has emerged as a very hopeful source of revenue. Efforts have been made to introduce unified Goods and Service Tax (GST) in consultation with States. This will be a major reform of the indirect tax system. The projection of fiscal deficits based on Medium Term Fiscal Policy Statement 2012-13 indicates that debt resources for funding of GBS for the Twelfth Plan will be higher initially but is projected to decline gradually. The Centre's net borrowing which was 5.9 per cent of GDP in 2011-12 (RE) is estimated to decline to 5.1 per cent of GDP in 2012-13 (BE). The fiscal deficit as percent of GDP is further projected to decline to 4.5 per cent in 2013-14, 3.9 per cent in 2014-15, 3.2 per cent in 2015-16 and 3.0 per cent of GDP in the last year of the Twelfth Plan.



13.8 LET US SUM UP

- The idea of economic planning has been developed by Soviet Union for the first time in 1928 which was given to transform the country in industrial super power.
- In India, the need and importance of planned and coordinated economic development under government supervision was recognized all along the freedom movement.
- The Planning Commission was set up in March, 1950 with Nehru as its Chairman. By 1951, India started planning critically for the future.
- To achieve Economic Development, eradicate Unemployment, improve and strengthen market mechanism along with a fair progress of the economy, progress of Agricultural and Industrial sectors, progress of Money and Capital Market, progress in Infrastructure are some of the objectives of the various plans in India.
- Planning Commission was established on 15th March 1950, as a non-constitutional body with the help of document of government of India. It helps the government in planning procedure and acts as an advisory body.
- NITI (National Institution for Transforming India) was formed 1 January 2015 by the Union Government of India replacing the Planninng Commission. The Prime Minister serves as the Ex-official chairman. The governing council consists of all state Chief Ministers, chief ministers of Delhi and Pondicherry, Lieutenant Governor of Andaman and Nicobar, and vice chairman nominated by the Prime Minister. In addition to full members, there are two part-time members and four ex-official members and a chief executive officer.
- In India, the First Five year plan began in the year 1951-52. The first plan emphasized on correcting the disequilibrium in the country caused by second world war and partition of the country and on attainment of self-sufficiency in food grain production and to improve availability of raw materials.
- The Twelfth Plan commenced at a time when the global economy was sufferingthrough a second financial crisis due to the sovereign debt problems of the Eurozone which erupted in the last year of the Eleventh Plan.
- The Twelfth Plan therefore,state that our first priority must be to bring the economy back to rapid growth which is both inclusive and sustainable.