

Yogoda Satsanga Mahavidyalaya

M. Com Semester - II

Subject: Business Environment (CCCOM 201)

Topic: **Economic Policy: An overview Changes in government policies since 1991.**

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Economic Policy: An overview Changes in government policies since 1991.

Since 1991, India's economic policy has undergone significant changes, marked by liberalization, privatization, and globalization reforms. These changes were initiated to address the economic crisis of the early 1990s and to integrate India more fully into the global economy. Here's an overview of the key changes:

1. Economic Liberalization (1991 Onwards)

- **New Industrial Policy (1991):** Reduced the number of industries reserved for the public sector, abolished the industrial licensing regime (except for a few sectors), and encouraged foreign investment.
- **Financial Sector Reforms:** Strengthened the banking system by reducing statutory liquidity and cash reserve requirements, allowing private and foreign banks to operate, and establishing regulatory bodies like the SEBI (Securities and Exchange Board of India).
- **Trade Policy Reforms:** Reduced tariffs and import duties, phased out import licensing, and promoted export-oriented growth.

2. Privatization and Disinvestment

- **Public Sector Reforms:** Encouraged private sector participation by selling stakes in public sector enterprises. Significant disinvestments took place in industries like telecom, aviation, and energy.
- **Disinvestment Policy:** Established the Department of Disinvestment (now the Department of Investment and Public Asset Management) to streamline the process.

3. Tax Reforms

- **Introduction of Goods and Services Tax (GST) in 2017:** Unified the indirect tax system, replacing multiple state and central taxes with a single tax regime, simplifying compliance and increasing tax revenues.
- **Direct Tax Code and Corporate Tax Reforms:** Simplified tax laws and reduced corporate tax rates to attract investment.

4. Banking and Financial Inclusion

- **Banking Reforms:** Consolidation of public sector banks, introduction of new banking licenses, and promotion of digital banking.
- **Financial Inclusion:** Launched schemes like Pradhan Mantri Jan Dhan Yojana (PMJDY) to ensure access to financial services for all citizens.

5. Foreign Direct Investment (FDI) Reforms

- **Liberalized FDI Policy:** Allowed higher foreign ownership in sectors like retail, defense, insurance, and real estate. Introduction of automatic routes for many sectors to ease the investment process.

6. Infrastructure Development

- **Roads and Highways:** Initiated programs like the Golden Quadrilateral and Bharatmala Pariyojana to improve road connectivity.
- **Urban Infrastructure:** Launched initiatives like Smart Cities Mission and AMRUT (Atal Mission for Rejuvenation and Urban Transformation) to enhance urban infrastructure.

7. Labor Reforms

- **Labor Codes:** Consolidated 44 labor laws into 4 codes (Wages, Industrial Relations, Social Security, and Occupational Safety) to simplify compliance and enhance labor market flexibility.

8. Agricultural Reforms

- **Modernization Initiatives:** Promoted mechanization, improved irrigation, and introduced schemes like PM-KISAN for direct income support to farmers.
- **Market Reforms:** Enacted laws to create a national market for agricultural produce and allow farmers to sell directly to buyers, although some reforms were later repealed.

9. Technology and Innovation

- **Digital India Initiative:** Aimed to transform India into a digitally empowered society and knowledge economy by enhancing internet connectivity and promoting e-governance.
- **Startup India and Make in India:** Encouraged entrepreneurship and manufacturing through incentives and support for startups and industries.

10. Social Sector Reforms

- **Healthcare and Education:** Introduced schemes like Ayushman Bharat for health insurance and various education initiatives to improve literacy and skill development.
- **Social Security:** Launched pension schemes like Atal Pension Yojana and social security measures for unorganized sector workers.

Impact and Challenges

These reforms have led to robust economic growth, increased foreign investment, and improved global competitiveness. However, challenges remain, including addressing income inequality, ensuring job creation, managing environmental sustainability, and dealing with regulatory hurdles.

Overall, the post-1991 economic policy changes have significantly transformed India's economy, positioning it as a major player on the global stage.

