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Critical Analysis of Legal Reforms, Economic Development and Social Justice in the Context of India's Neo-Liberal Economic Policy

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Abstract
Since independence, India had followed the mixed economy framework by combining the advantages of the market economic system with those of the planned economic system. India's economic reforms began slowly in the 1980s, and then accelerated under the pressure of an external crisis with internal impact at the beginning of the 1990s. But over the years, the economic policy enacted in 1991 resulted in the establishment of a variety of rules and laws which were aimed at controlling and regulating the economy and instead evidently ended up hampering the process of growth and development. India's future productivity is premised largely on the available institutions being involved in successfully assessing, evaluating, directing through planned policy and information, all activities within an effective and comprehensive national developmental plan and therefore; liberal, safe and flexible legal environment needs to be created. However, on the other hand, it is also important to see that the fruits of development should reach to the downtrodden people of society. The ultimate goal of Legal Reforms and Economic Development should be "Social Justice and Public Welfare". Considering the prevailing socio-legal-political and economic dynamics of India this paper aims at understanding that how the governmental policies and laws which came into being as a result of Economic Reform of 1991 impact the citizens of the country and industrial world that is whether the policies bring about changes in the interest of the country as a whole or whether there is infringement of people's rights.
Keywords: India, Legal Reforms, Economic Reforms, Development, Growth, Globalization, Open Economy, Social Justice.

The Beginning:
India joined race of reforms very late, embarking on the process in earnest only in 1991, in the wake of an exceptionally severe balance of payments crisis. The need for a policy shift had become evident much earlier, as many countries in East Asia achieved high growth and poverty reduction through policies which emphasized greater export orientation and encouragement of the private sector. India took some steps in this direction in the 1980s, but it was not until 1991 that the government signaled a systemic shift to a more open economy with greater reliance upon market forces, a larger role for the private sector including foreign investment, and a restructuring of the role of government.

It has been more than two decades since Mr. Manmohan Singh, the then finance minister made, the most important and far-reaching budget speech in the modern history of his country. In response to an unprecedented balance of payments crisis -- which left India with about two weeks of foreign-exchange reserves -- Singh, with the support of Prime Minister P.V. Narasimha Rao, announced a host of reforms in his inaugural budget speech on July 24, 1991.[2] His two-hour oration left no one in doubt that he intended to turn a crisis into an opportunity.

By relaxing government control over the economy, opening up Indian markets to foreign investment, cutting trade tariffs, devaluing the rupee, Mr Manmohan Singh broke down, in one go, the walls between the sluggish, protected economy of socialist India and the rest of the world. "I do not minimize the difficulties that lie ahead on the long and arduous journey on which we have embarked," Singh said at the conclusion of his speech. "But as Victor Hugo once said, 'No power on Earth can stop an idea whose time has come.' I suggest to this august House that the emergence of India as a major economic power in the world happens to be one such idea."

India's economic performance in the post-reforms period has many positive features. The average growth rate in the ten year period from 1992-93 to 2001-02 was around 6.0 percent[3], which puts India among the fastest growing developing countries in the 1990s. This growth record is only slightly better than the annual average of 5.7 percent in the 1980s, but it can be argued that the 1980s growth was unsustainable, fuelled by a buildup of external debt which culminated in the crisis of 1991. In sharp contrast, growth in the 1990s was accompanied by remarkable external stability despite the East Asian crisis.

Today, Singh's prediction, which then seemed an implausible dream, is a reality. In absolute terms, India is

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[2] "Budget 1991-92 Speech of Shri Manmohan Singh Minister of Finance, 24th July, 1991", http://indiabudget.nic.in/bspeech/bs199192.pdf, Accessed on 10th November, 2017
[3] Pangariya, A., "India in the 1980s and 1990s: A triumph of Reforms", https://www.imf.org/external/np/apd/seminars/2003/newdelhi/pana.pdf, Accessed on 10th November, 2017

now the 10th -largest economy in the world[1]; and when figures are adjusted for purchasing power parity, it is the fourth-largest. Since the second half of the 1990s, the economy has consistently posted a growth rate of 7.5 percent or more -- about twice the rate of the years between Independence in 1947 and liberalization in 1991 -- and is now a hotspot on the map of global business. Per-capita income has almost quadrupled compared with 1991. Long starved of access to consumer goods, Indians of all classes have taken advantage of a consumer revolution of colossal dimensions. Economic liberalization has greatly affected Indian attitudes toward money, business, development and politics, and opened doors for the ambitions of millions of young people. A laggard in the world for much of the 20th century, India now confidently inhabits the 21st.

The government of India began the process of economic liberalization and reform in 1991, a process that has continued to date. However, let us understand that economic reforms and liberalization could not have been possible without strategic legal reforms. The government continues to change the existing legal framework, claiming that economic growth has been stalled by legal rigidity.

Open Door Policy:
As mentioned before, the economic liberalization approach in India; which was initiated in 1991 had successfully lead to the liberalization of the country's economic policies, with the goal of making the economy more market oriented and expanding the role of private and foreign investment. Specific changes include a reduction in import tariffs, deregulation of markets, reduction of taxes and greater foreign investment. Liberalization has been credited by its proponents for the high economic growth recorded by the country in the 1990s and 2000s. Its opponents have blamed it for increased poverty, inequality and economic degradation. There exists lively debate in India as to what made the economic reforms sustainable[2]. This change in the dynamics of Indian economy has been occurred due to the adoption of an Open Door Policy which was the immediate byproduct of 'Neo-Liberal Economic Policy' of India.

Open Door Policy is a policy that Government of India initiated as a part of Economic liberalization process which emphasized on the importance of attracting maximum foreign investment in India. To liberalize the economy, an entry of foreign players in Indian market is a necessary evil therefore, the Indian Government and Regulators had no other option but to adopt a policy of gradually opening up the Indian Economy.

Evolution of FDI Policy in India:
1947- The Year of Indian Independence
First Stage (1948-1969): cautious approach to foreign investment and limited participation of foreign capital. "Swadeshi Movement" or the era of protectionism/closed economy.
Second Stage ((1969-1991): This era is highlighted by selective opening of the Indian economy, adopting MRTP and FERA in 1973
Third Stage (1991-2000): This era witnessed revolutionary liberalization in India. FERA was replaced by FEMA. FDI allowed on the automatic route up to 51% in 35 high priority sectors which was increased 111industries in 1996. Foreign Investment Promotion Board was constituted to consider cases regarding FDI.
Fourth Stage (2000-2007): Age of global optimism and global boom. Increased role of BRICS and interlinking of global economy was witnessed in early 2000's. The caps gradually raised in sectors/activities which lead to increased foreign capital which further helped India to achieve a high growth rate.
Fifth Stage (2007-2010): Global economies hit by recession but India remained resistant. The rate of growth experienced a marginal decrease due to poor flow of capital. 2010 saw the continuation of the rationalization process with consolidation of all the FDI laws into one place. Government gave positive node to NRI companies to have 100% owned subsidiary in India.
Sixth Stage (2011-2015): Global economies began recovering from recession but India witnessing a moderate growth rate attributed to outflow of capital and widening current account deficit. Currency depreciation, high inflation, excessive oil /gold import bill and falling forex reserve have been major concerns.
Out of the three main reform areas that the present NDA government is banking upon for pushing growth - Land Acquisition law amendments to dilute consent and social impact assessment clauses of the UPA's 2013 Act, implementation of Goods and Services Tax (GST) and labour law changes - only GST seems to be feasible, and that too with flaws like 1% additional tax on interstate trade to compensate manufacturing states and exemptions. IT is necessary to understand that the foreign investors may not be keen on looking at India is clear from the Moody's Analytics observation that, "India's political infighting is denting business confidence[3]…..Key reforms

[1] Dey, S., "India 10th Wealthiest in the world: Report", http://www.business-standard.com/article/current-affairs/india-10th-wealthiest-in-the-world-report-115102900036_1.html, Accessed on 11th November, 2017
[2] Sharma, Y.P., "Economic Liberalization in India", http://www.dailyexcelsior.com/economic-liberalization-india/, Accessed on 4th January, 2018
[3] http://www.dnaindia.com/money/report-india-s-political-infighting-is-denting-the-business-confidence-warns-moody-s-2109706, Accessed on 11th November, 2017

such as the land acquisition bill, flexible labour laws, and the goods and services tax have failed to pass Parliament. And given the political seesaw, these are unlikely to be delivered until 2016.

LIST OF MAJOR REGULATIONS IN INDIA

Act	Purpose
Securities Contracts (Regulation) Act, 1956	To prevent undesirable transactions in securities by regulating the business
The Foreign Exchange Management Act (FEMA), 1999	To facilitate external trade and payments and to promote the orderly development and maintenance of the foreign exchange market.
The Foreign Trade (Development and Regulation) Act, 1992	To provide for development and regulation of foreign trade by facilitating imports into and augmenting exports from India and for matters connected herewith.
The Industries Act, 1951	To empower the Government to take necessary steps for the development of industries; to regulate the pattern and direction of industrial development; and to control the activities, performance and results of industrial undertakings in the public interest.
The Indian Contract Act, 1872	Governing legislation for contracts, which lays down the general principles relating to formation, performance and enforceability of contracts and the rules relating to certain special types of contracts like Indemnity and Guarantee; Bailment and Pledge; as well as Agency
The Sale of Goods Act, 1930	To protect the interest of buyers and sellers
Indian Patents Act, 2005	To grant significant economic exclusiveness to manufacturers of patented products with some in-built mechanisms to check extreme causes of competition restriction.
The Company Act, 1956	To regulate setting up and operation of companies in India: it regulates the formation, financing, functioning and winding up of companies.
Competition Act, 2002	To ensure a healthy and fair competition in the market economy and to protect the interests of consumers: aims to prohibit the anti-competitive business practices, abuse of dominance by an enterprise as well as regulate various business combinations such as mergers and acquisitions
The Trade Marks Act, 1999	To amend and consolidate the law relating to trade marks, to provide for registration and better protection of trade marks for goods and services and for the prevention of the use of fraudulent marks
The Information Technology Act, 2000	To provide legal recognition for transactions carried out by means of electronic data interchange and other means of electronic communication, commonly referred to as "electronic commerce", which involve the use of alternatives to paper-based methods of communication and storage of information; to facilitate electronic filing of documents with Government agencies
The Consumer Protection Act, 1986 (amended 1993, 2002) COPRA	To protect consumer rights and providing a simple quasi-judicial dispute resolution system for resolving complaints with respect to unfair trade practices.
The Industrial Disputes Act, 1947	To facilitate investigation and settlement of all industrial disputes related to industrial employees and employers.
The Factories Act, 1948	Umbrella legislation to regulate the working conditions in factories.
The Indian Trade Unions Act, 1926	To facilitate the registration of trade unions, their rights, liabilities and responsibilities as well as ensure that their funds are utilised properly: it gives legal and corporate status to registered trade unions and also seeks to protect them from civil or criminal prosecution so that these could carry on their legitimate activities for the benefit of the working class
The Bureau of Indian Standards Act, 1986	To set standards (quality, safety etc) for various kinds of products to protect consumer safety.

STATUS OF SECTOR SPECIFIC REGULATIONS[1]

SECTOR	STATUS OF REGULATIONS
Power	Electricity Regulatory Commissions (ERC's) exists in almost all states and at the center.
Energy	There is no energy sector regulator
Oil & Gas	The Petroleum & Natural Gas Regulatory Board (PNGRB) regulates refining, processing, storage, transportation, distribution and marketing of petroleum products
Coal	The government own the operators, the coal companies and regulates
Telecom	Telecom Regulatory Authority of India (TRAI). Facilitates competition through regulation and introducing pro-consumer elements relating to quality and access
Ports	Tariff authority for Major Ports (TAMP), having limited authority in determining tariffs for major ports. There is no recourse, or performance standards, or consumer protection or competition
Airports	The Airport Authority of India (AAI) is an operator and regulator of airports; and the Director General of Civil Aviation (DGCA) along with the Bureau of Civil Aviation Security is responsible for safety and technical aspects.
Roads	There is no regulatory authority as such and the National Highways Authority of India (NHAI) acts as one
Railways	The government owned Indian Railways is both operator and regulator
Water supply and sanitation	There is no regulatory authority. Central Ground Water Authority exists for control of ground water, pollution control and protect environment.
Social sector	The social sector is lacking in any independent and transparent regulation. Higher education is regulated by the autonomous bodies like UGC, AICTE and self-regulatory bodies. Independent Regulatory Authority for Higher Education (IRAHE) is under consideration.

Before reforms the important sectors, including infrastructure and public utilities, were regulated by the immediate line ministries which were also the operators. The rationale for not allowing private participation was the urgency to expand service coverage towards universality. However, the shortcomings of state ownership became increasingly visible with time. After reforms, the government made a paradigm shift in its policies and governance structure in some key infrastructure sectors. Specialized regulatory agencies were established in the telecom, electricity and oil & gas sectors. However, outcomes so far have been mixed and in many cases have fallen short of expectations, one important reason being the lack of actual independence of regulators despite legislative provisions. The status of regulation in different sectors is explained through Table above.

Sector-wise Reforms:

Power:

In the pre-reform period, the power sector was dominated by the state. Power generation and distribution throughout the country was controlled by state owned enterprises. In the early 1990‟s India opened this sector to private investment recognising that the public sector alone was unable to generate the required resources. To attract private investment, the need to create an appropriate regulatory environment that minimises unwanted political interference in the sector was felt. As a follow up, independent regulatory agencies -- Central Electricity Regulatory Commission (CERC) and State Electricity Regulatory Commissions (SERCs) -- were constituted at the central and state levels respectively. The major regulatory functions of these bodies were licensing, setting tariffs, ensuring maintenance of service standards and promoting competition in the sector. Later, the government enforced the Electricity Act, 2003 for further reforms in the sector.[2]

Higher education Reforms:

In all, the higher education institutions and regulatory bodies are maintained and funded by the government and key appointments are also made by the government. This enables the government to have a final say on major issues. To improve the regulatory environment in this sector, the National Knowledge Commission (NKC), an expert group, has recommended the establishment of an Independent Regulatory Authority for Higher Education (IRAHE) that would be an umbrella organisation founded under a separate statutory act. The IRAHE is expected to foster competition as well as accountability in institutions.

Industrial and Trade Reforms:

Industrial policy has seen the greatest change, with most central government industrial controls being dismantled. The list of industries reserved solely for the public sector -- which used to cover 18 industries, including iron and steel, heavy plant and machinery, telecommunications and telecom equipment, minerals, oil, mining, air

[1] Eleventh Five Year Plan (2007-2012)", Volume I, Inclusive Growth, Planning Commission, Government of India.
[2] "Competition and Regulation in India 2009" ed. Pradeep S Mehta, CUTS International, 2009

transport services and electricity generation and distribution -- has been drastically reduced to three: defense aircrafts and warships, atomic energy generation, and railway transport. Industrial licensing by the central government has been almost abolished except for a few hazardous and environmentally sensitive industries. The requirement that investments by large industrial houses needed a separate clearance under the Monopolies and Restrictive Trade Practices Act to discourage the concentration of economic power was abolished and the act itself is to be replaced by a new competition law which will attempt to regulate anticompetitive behavior in other ways.

Trade policy reform has also made progress, though the pace has been slower than in industrial liberalization. Before the reforms, trade policy was characterized by high tariffs and pervasive import restrictions. Imports of manufactured consumer goods were completely banned. For capital goods, raw materials and intermediates, certain lists of goods were freely importable, but for most items where domestic substitutes were being produced, imports were only possible with import licenses. The criteria for issue of licenses were non-transparent; delays were endemic and corruption unavoidable. The economic reforms sought to phase out import licensing and also to reduce import duties.

Agriculture Reforms:

A common criticism of India's economic reforms is that they have been excessively focused on industrial and trade policy, neglecting agriculture which provides the livelihood of 60 percent of the population. Critics point to the deceleration in agricultural growth in the second half of the 1990s as proof of this neglect[1]. Some of the policies which were crucial in promoting food grain production in earlier years, when this was the prime objective, are now hindering agricultural diversification. Government price support levels for food grains such as wheat are supposed to be set on the basis of the recommendations of the Commission on Agricultural Costs and Prices, a technical body which is expected to calibrate price support to reasonable levels. In recent years, support prices have been fixed at much higher levels, encouraging overproduction. Indeed, public food grain stocks reached 58 million tons on January 1, 2002, against a norm of around 17 million tons! The support price system clearly needs to be better aligned to market demand if farmers are to be encouraged to shift from food grain production towards other products.

Infrastructure Reforms:

Rapid growth in a globalized environment requires a well-functioning infrastructure including especially electric power, road and rail connectivity, telecommunications, air transport, and efficient ports. India lags behind east and Southeast Asia in these areas. These services were traditionally provided by public sector monopolies but since the investment needed to expand capacity and improve quality could not be mobilized by the public sector, these sectors were opened to private investment, including foreign investment. However, the difficulty in creating an environment which would make it possible for private investors to enter on terms that would appear reasonable to consumers, while providing an adequate risk- return profile to investors, was greatly underestimated.

Financial Sector Reform:

India's reform program included wide-ranging reforms in the banking system and the capital markets relatively early in the process with reforms in insurance introduced at a later stage.

Banking sector reforms included: (a) measures for liberalization, like dismantling the complex system of interest rate controls, eliminating prior approval of the Reserve Bank of India for large loans, and reducing the statutory requirements to invest in government securities; (b) measures designed to increase financial soundness, like introducing capital adequacy requirements and other prudential norms for banks and strengthening banking supervision; (c) measures for increasing competition like more liberal licensing of private banks and freer expansion by foreign banks. These steps have produced some positive outcomes. There has been a sharp reduction in the share of non-performing assets in the portfolio and more than 90 percent of the banks now meet the new capital adequacy standards. However, these figures may overstate the improvement because domestic standards for classifying assets as non-performing are less stringent than international standards.[2]

If privatization is not politically feasible, it is at least necessary to consider intermediate steps which could increase efficiency within a public sector framework. These include shifting effective control from the government to the boards of the banks including especially the power to appoint the Chairman and Executive Directors which is at present with the government; removing civil servants and representatives of the Reserve

[1] India's reforms are often unfavorably compared with the very different sequencing adopted in China, which began with reforms in agriculture in 1978, extending them to industry only in 1984. The comparison is not entirely fair since Chinese agriculture faced an extremely distorted incentive structure, with virtually no role for markets, which provided an obvious area for high priority action with potentially large benefits. Since Indian agriculture operated to a much greater extent under market conditions, the situation was very different.
[2] Gupta (Ed.), K.R. "Studies in Indian Economy", Vol. II, P.52, Atlantic Pub. Pvt Ltd, 2007

Bank of India from these board; implementing a prompt corrective action framework which would automatically trigger regulatory action limiting a bank's expansion capability if certain trigger points of financial soundness are breeched; and finally acceptance of closure of insolvent public sector banks (with appropriate protection for small depositors). Unless some initiatives along these lines are taken, it is highly unlikely that public sector banks can rise to the levels of efficiency needed to support rapid growth.[1]

Reforms in the stock market were initiated by a stock market scam in 1992 that revealed serious weaknesses in the regulatory mechanism. Reforms implemented include establishment of a statutory regulator; promulgation of rules and regulations governing various types of participants in the capital market and also activities like insider trading and takeover bids; introduction of electronic trading to improve transparency in establishing prices; and dematerialization of shares to eliminate the need for physical movement and storage of paper securities. Effective regulation of stock markets requires the development of institutional expertise, which necessarily requires time, but a good start has been made and India's stock market is much better regulated today than in the past.

The insurance sector (including pension schemes), was a public sector monopoly at the start of the reforms. The need to open the sector to private insurance companies was recommended by an expert committee (the Malhotra Committee) in 1994[2], but there was strong political resistance. It was only in 2000 that the law was finally amended to allow private sector insurance companies, with foreign equity allowed up to 26 percent, to enter the field. An independent Insurance Development and Regulatory Authority has now been established and ten new life insurance companies and six general insurance companies, many with well-known international insurance companies as partners, have started operations. The development of an active insurance and pensions industry offering attractive products tailored to different types of requirements could stimulate long term savings and add depth to the capital markets. However, these benefits will only become evident over time.

Impact of Economic Reforms

In 1991, there was just 1 television channel in India. Almost the entire nation was in sync with its programs and schedules. By the end of that year we had Star TV. Couple of months later Zee TV. A year later Sun TV & Star Sports. We now needed a remote. In just couple of years from a sleep inducing DD, our home was flooded with Star Sports, ESPN, HBO, MTV, Fashion Tv, Cartoon Network... Massive change in a very short time. The period from 1991-1994 was probably the most glorious time periods in recent Indian history. There were radical changes in entertainment, transportation, communication, finances, education…

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.

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 2000-01 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.

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
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 1147 points during 1990-91 to 2000-01 as compared

[1] Ibid p.53

[2] "Malhotra Committee Report", http://lawcommissionofindia.nic.in/consult_papers/insurance%201-27.pdf, P.7, Accessed on 14th November, 2017.

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.

The Positive impact of Economic Reforms on Indian Society can be summarized as follows:

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.[1] 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.

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 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

[1] https://www.coursehero.com/file/p23tj56/3-Easy-Availability-of-Bank-Loans-In-the-pre-reforms-era-getting-loan-from-a/, accessed on 14th November, 2017

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.

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 Organisation, 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.

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[1]. 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.

The Negative Impact of Economic Reforms on India:

1. Private sector started getting priority in government schemes instead of public sector.
2. Government starting cutting out its spending in pensions etc.
3. Multi-National companies started operating from India too without any fear of government takeover or meddling.
4. Market Economy started dictating policies of government.
5. India started emerging as a global hub for Service Sector because of cheap labor as well as high domestic demand.
6. Throughout, India has been proud of her rural cottage industries. The silk produced by the village-weavers had been a source of attraction all over the world. With the advent of heavy mechanical industries began the chapter of the decline of our village cottage industries.
7. Another attack is that with the creation of heavy mechanized industries in the urban areas, the rural population would start mass-migration into town and cities, thereby making the unemployment problem more acute and complex.

[1] Source : Economic Survey – 2004-2005 (Page 161), published by the Ministry of Finance, Govt. of India

8. Due to industrialization, there is constant depletion of natural resources. Many industries are powered by thermal power plants that consumes coal. Since, large industries are spread over many acres of land, agricultural lands and forests are often cleared to make available the required land.
9. The Reforms have reversed the two decades long declining trend of poverty. The rural poverty went up from the pre-reform low of 33.7 per cent to 41.7 per cent in 1992 and slightly declined to 40.2 per cent in 1993-94. The urban poverty also showed the same trend shooting up from the pre-Reform low of 36 per cent to 37.8 per cent and then coming down to 36.2 per cent. The ratio of ultra-poverty to total poverty showed a marked increase after the reforms. In 1990-91, this ratio was 68.95 %, it went upto 71.04 % in 1991 and to 74.64 % in 1992. The corresponding figures for urban area were 72.99, 73.14 and 74.20 per cent.[1]
10. In rural areas there has been a significant cut in the bank credit to the agriculture and non- agriculture industries. The bank credit to these sectors was 40 per cent till launch of the Reforms. It came down to 38.7 per cent in 1992 and 35 per cent in July 1994. The bank credit to agriculture as a percentage of net bank credit fell consistently to 12.4 per cent in March 1995 from 17.4 per cent in March 1990. It has had an adverse impact on these industries and in turn on rural employment. A study on the unemployment in 1993 estimated that out of 25 million unemployed approximately 10 million came from the unorganised sector of urban areas and the non-agricultural sectors of the rural areas and were the victims of economic Reforms.[2]
11. The policy reforms made benefits of the small sector available to the big industrial houses. National Council of Applied Economic Research had cautioned that the Reforms relating to deregulation of the big industries, withdrawal of the licence system and global reduction of custom duties would exert adverse impact on the small industries.[3]
12. The buzzword of competition has suddenly awakened one and all but the response everywhere reflects an easy option of cutting the jobs. State owned units are under pressure to reorganise. Nationalised banks have already threatened to declare 4,00,000 persons surplus, Railways have stopped recruitment, Department of Post and Telecommunication intend to retrench 2,00,000 workers.[4]
13. The most disastrous effects of globalization policy can be seen in the deep agrarian crisis that had afflicted the rural sector. The vast majority of poor and downtrodden (Dalits) live in rural areas. Some 89 per cent of them still living in village. The successive central governments as well as state governments have failed to implement the land reforms for the last 66 years. Except for West Bengal, Kerala and Tripura, the other state governments completely neglected land reforms. Instead of taking land reforms, all the governments are promoting depeasantisation of Indian agriculture.[5] The land instead of giving it to the landless labors is being given away to the big industries in the name of mega developmental projects or 'SEZ' (Special Economic Zone). In fact, as an integral part of globalization – liberalization policies the marginal people have lost their right over land.[6]

Conclusion:
It is seen that the economic reforms done under the directions and guidelines of IMF and World Bank have essentially a pro-rich bias. Many people tend to discount the Indian experience with the Reforms as pre-mature. Fortunately, there are many countries in which similar reforms are being worked for many years. There are numerous studies assessing their efficacy and impact on various sections of population. .Most of them are unanimous in noting the precipitous fall in standard of living of the majority population of the subject country that has led to widespread riots and socio-political unrest.[7] The efforts to become competitive in so called "reforms era" often hurt the social sectors first. It is most often these sectors that face budgetary reductions when liberalisation policies are implemented. Conservative monetary and fiscal policies are often undertaken and these too, independent of reductions in the size and scope of social sectors, can indirectly reduce allocations to social services and basic provisions. Such cuts in social spending are likely to hit the tribals the hardest who already have limited access to education and health facilities.[8] From the beginning of the economic reforms, the government talked about social safety nets for the poor marginalized sections. But in practice, the government has done little do strengthen social protection measures. Consistent attempts have been made to downsize the

[1] Dev.S. Mahendra, "Economic Reforms and the rural poor", Economic and Political Weekly, Aug 19, 1993, p.2085
[2] Mundhe, Sudipto, "Unemployment and Financing of Relief Employment in a Period of Stabilization: India, 1992-1994", Economic and Political Weekly, January 1993, p.173
[3] National Council of Applied Economic Research (NCAER) and Friedrich-Nauman-Stiftung, "Structure and Promotion of small scale Industries in India-Lessons for Future Development, New Delhi, December, 1993.
[4] Shah, Nandita et al quoted in "Bandyopadhyaya, D., "Impact of SAP: Hunger and Jobless Growth", Mainstream, May 13, 1995, p. 12
[5] Teltumbde Anand,(2011). "Reflecting Dalit Movement In The Era of Globalization", www.countercurrents.org.2011, 1- 6. This statement was made by Prof. Anand Teltumbde in an interview which was taken by Yoginder Sikand . www.countercurrents.org.
[6] George Goldy M.,(2004). "Globalisation, Fascism And Dalits",1-15, www.countercurrent.org/dalit-george190204.htm & Kirtiraj D.C.,(2012). A Study of Impact of Globalization on the Socio-economic Status of NeoBuddhists Community in Akola District , University of Pune, It is an unpublished thesis. Available at Suodhganga. Inflebnet.ac.in/jspui/bitstream/10603/--/ib – chapter % 206. pdf.
[7] Deshpande, Ashwin, "Rethinking strategy for Global Debt Crisis", Economic & Political Weekly, May 27, 1995, p. 1247
[8] Human Development in South Asia 2001 (OUP), p.53

budgetary allocation for the social sector in the name of reducing the fiscal deficit.[1] Therefore, it would not be an exaggeration to conclude that the so called benefits of Economic Reforms only reached to the upper economic class of society. In the rate race to become a superpower, India is somewhat ignoring the basic problems brewing on her soil. Therefore, authors unanimously opine and agree that the true growth indicators are neither GDP or NNP or FOREIGN EXCHANGE RESERVE or STRENGTH OF CURRENCY but, HUMAN DEVELOPMENT INDEX, hence Economic Reforms and Social Justice should go hand-in-hand. If the government wants to change the fabric of India from a welfare state to a capitalist state, the attempt would bring nothing but perpetual chaos and misery.

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[1]Samuel John and Prakasam Gnana, (2001). “Withering of the Welfare State”, Social Watch, socialwatchindia.net/publications/research-papers/103-withering-the welfare-state-2001, 114- 115.