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A REVIEW

Economic development and libralization in India

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What is Economic Development?:

Economic development is the institutional changes made to promote economic betterment. It is the social organizational changes made to promote growth in an economy. It is also the process of improving the quality of human life through increasing per capita income, reducing poverty and enhancing individual economic opportunities. In other words, the process of improving the quality of human life through increasing per capita income, reducing poverty, and enhancinga individual economic opportunities called economic development.

What is liberalization in India?:

Economic liberalization of India means the process of opening of the Indian ecomony to trade and investment with the rest of the world. Till 1991 India had a import protection policy wherein trade with the rest of the world was limited to exports. Foriegn investment was very difficult due to bureaucratic framework. After the start of the economic liberalization,India started getting huge capital inflows and it has emerged as the 2nd fastest growing country in the world.

Economic liberalisation in India :

The economic liberalisation in India refers to ongoing reforms in India that started in 1991. After independence in 1947, India adhered to socialist policies. In the 1980s, Prime Minister Rajive Gandhi initiated some reforms. In 1991, after the International Monetary Fund (IMF) had bailed out the bankrupt state, the goverment of P.V. Narasimha Rao and his finance minister Manmohan Singh started break through reforms. The new policies included opening for international trade and investment, deregulation, initiation of privatization, tax reforms and inflation -controlling measures. The overall direction of liberalisation since then has remained the same, irrespective of the ruling party, although no party has yet tried to take on powerful lobbies such as the trade unions and farmers, or contentious issues such as reforming labor laws and reducing agricultural subsidies.

As of 2009, about 300 million people-equivalent to the entire population of the United States-have escaped extreme poverty. The fruits of liberalisation reached their peak in 2007, with India recording its highest GDP growth rate of 9% With this, India became the second fastest growing major economy in the world, next only to China. An Organisation for Economic Co-operation and Development (OECD) report states that the average growth rate 7.5% will double the average income in a decade, and more reforms would speed up the pace. Indian government coalitions have been advised to continue liberalisation. India grows at slower pace than China, which had liberalised economy in 1978. McKinsey stataes that removing main obstacles "would free India"s economy to grow as fast as China"s, at 10 per cent a year".

Reforms:

The Government of India headed by Narasimha Rao decided in several reforms that are collectively termed as liberalisation in the Indian media Narasimha Rao appointed Manmohan Singh as a special economical advisor to implement liberalisation.

The reforms progressed furthest in the areas of opening up to foreign investment, reforming capital markets, deregulating domestic business, and reforming the trade regime. Liberalisation has done away with tahe Licence Raj (investment, industrial and import licensing) and ended many public allowing automatic approval of foreign direct investment in many sectors. Rao,s government's goals were reducing the fiscal deficit, privatization of the public sector, and increasing in vestmenta in infrastructure. Trade reforms and changes in the regulataion of foreign direct investment were introducted to open India to foreign trade while stabilizing extemal loans. Rao's finance minister, Manmohan Singh, an acclaimed economist, played a central role in implementing these reforms. New research suggests that the scope and pattern of these reforms in India's foreign investment and extemal trade sectors followed the Chinese experience with external trade sectors followed the Chinese experience with external economic reforms.

– In the industrial sector, industrial licensing was cut, leaving only 18 industries subject to licensing. Industrial regulation was rationalized.

– Abolishing in 1992 the Controller of Capital Issues which decided the prices and number of shares that firms could issue.

– Introducing the SEBI Act of 1992 and the Security Laws (Amendment) which gave SEBI the legal authority to register and regulate all security market intermediaries.

– Starting in 1994 of the National Stock Exchange as a computer-based trading system which served as an instrument to leverage reforms of India's other stock exchanges. The NES emerged as India's largest exchange by 1996.

Reducing tariffs from an average of 85 percent to 25 percent, and rolling back quantitative controls. (The rupee was made convertable on trade account.)

– Encouraging foreign direct investment by increasing the maximum limit on share of foreign capital in joint ventures from 40 to 51 percent with 100 percent foreign equity permitted in priority sectors.

– Streamlining procedures for FDI approvals, and in at least 35 industries, automatically approving projects within the limits for foreign participation.

– Opening up in 1992 of India's equity markets to investment by foreign institutional investors and permitting Indian firms to raise capital on international markets by issuing Global Depository Receipts (GDRs).

– Marginal tax rates were reduced.

– Privatization of large, inefficient and loss-inducing government corporations was initiated.

Economic development in India:

The economic development in India followed a socialist-inspired policies for most of its independent history, including state-ownership of many sectors; extensive regulation and red tape known as " Licence Raj", and isolation from the world economy. India's per capita income increased round 1% annualized rate in the three decades after Independence. Since the mid-1980s, India has slowly oened up its markets through economic liberalization. After more fundamental reforms since 1991 and their renewal in the 2000s, India has progressed towards a market-based system.

In the late 2000s, India's growth has reached 7.5%, which will double the average income in a decade. Analysts say that if India push more fundamental market reforms, it could sustain the rate and even reach the government's 2011 target of 10%. States have large responsibilities over their economies. The annualized 1999-2008 growth rates for Gujarat (8.8%), Haryana (8.7%), or Delhi (7.4%) were significantly higher than for Bihar (5.1%), Uttar Pradesh (4.4%), or Madhya Pradesh (3.5%). India is the twelfth-largest economy in the world and the fourth largest by purchasing power parity adjusted exchange rates (PPP). On per capita basis, it ranks 128th in the world or 118th by PPP.

Although living standard are rising fast, 75.6% of the populaation still lives on less than $2 a day (PPP, around $0.5 in nominal terms), compared to 73.0% in Sub-Saharan Africa. In terms of occupation, two-thirds of the Indian workforce earn their livelihood directly or indirectly through agriculture in rural villages. As a proportion of GDP, towns and cities make over two thirds of the Indian economy.

The progress of economic reforms in India is followed closely. The World Bank suggests that the most important priorities are public sector reform, infrastructure, agricultural and rural development, removal of labour regulations. reforms in lagging states, and HIV/AIDS India ranked 120th on the Ease of Doing Business Index in 2008, compared with 83rd for China and 122nd Brazil.

Agriculture Development in India:

India ranks second worldwide in farm output. Agriculture and allied sectore like forestry, logging and fishing accounted for 18.6% of the GDP in 2005, employed 60% of the total workforce and despite a steady decline of its share in the GDP, is still the largest economic sector and plays a significant role in the overall socio-economic development of India. Yields per unit area of all crops have grown since 1950, due to the special emphasis placed on agriculture in the five-year plans and steady improvements in irrigation, technology, application of modern agricultural practices and provision of agricultural credit and subsidies since the green revolution.

India is the largest producer in the world of milk, cashewnuts, cocounts, tea, ginger, turmeric and black pepper. It also has the world's largest cattle population (193 million.). It is the second largest producer of wheat, rice, sugar, groundnut and inland fish.It is the third largest producer of tobacco. India accounts for 10% of the world fruit production with first rank in the production of banana and sapota.

The required level of investment for the development of marketing, storage and cold storage infrastructure is estimated to be huge. The government has implemented various schemes to raise investment in marketing infrastructure. Among these schemes are construction of rural go downs, market research and information network, and development / strengthening of agricultural marketing infrastructure, grading and standardization.

Main problems in the agricultural sector, as listed by the World Bank, are .

– India's large agricultural subsidies are hamering productivity-enhancing investment.

– Over regulation of agriculture has increased costs, price risks and uncertainty .

– Government interventions in labour, land, and credit markets.

– Inadequate infrastructure and services.

Research and development:

The Indian Agricultural Research Institute (IARI), established in 1905, was responsible for the research leading to the "Indian Green Revolution" of the.1970s. The Indian Council of Agricultural Research (ICAR) is the apex body in agriculture and related allied fields, including research and education. The Union Minister of Agriculture is the President of the ICAR. The Indian Agricultural Statistics Research Institute develops new techniques for the design of agricultural experiments, analyses data in agriculture, and specializes in statistical techniques for animal and plant breeding. Prof. M.S. Swaminathan is known as " Father of the Green Revolution" and heads the MS Swaminathan Research Foundation.

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