



CLASS – 11

ECONOMICS

Indian Economy Development

CH-3

Liberalisation, Privatisation & Globalisation : An Appraisal

Part – 5

Indian Economy During Reforms

Vaishnavi Agrawal

OVERVIEW



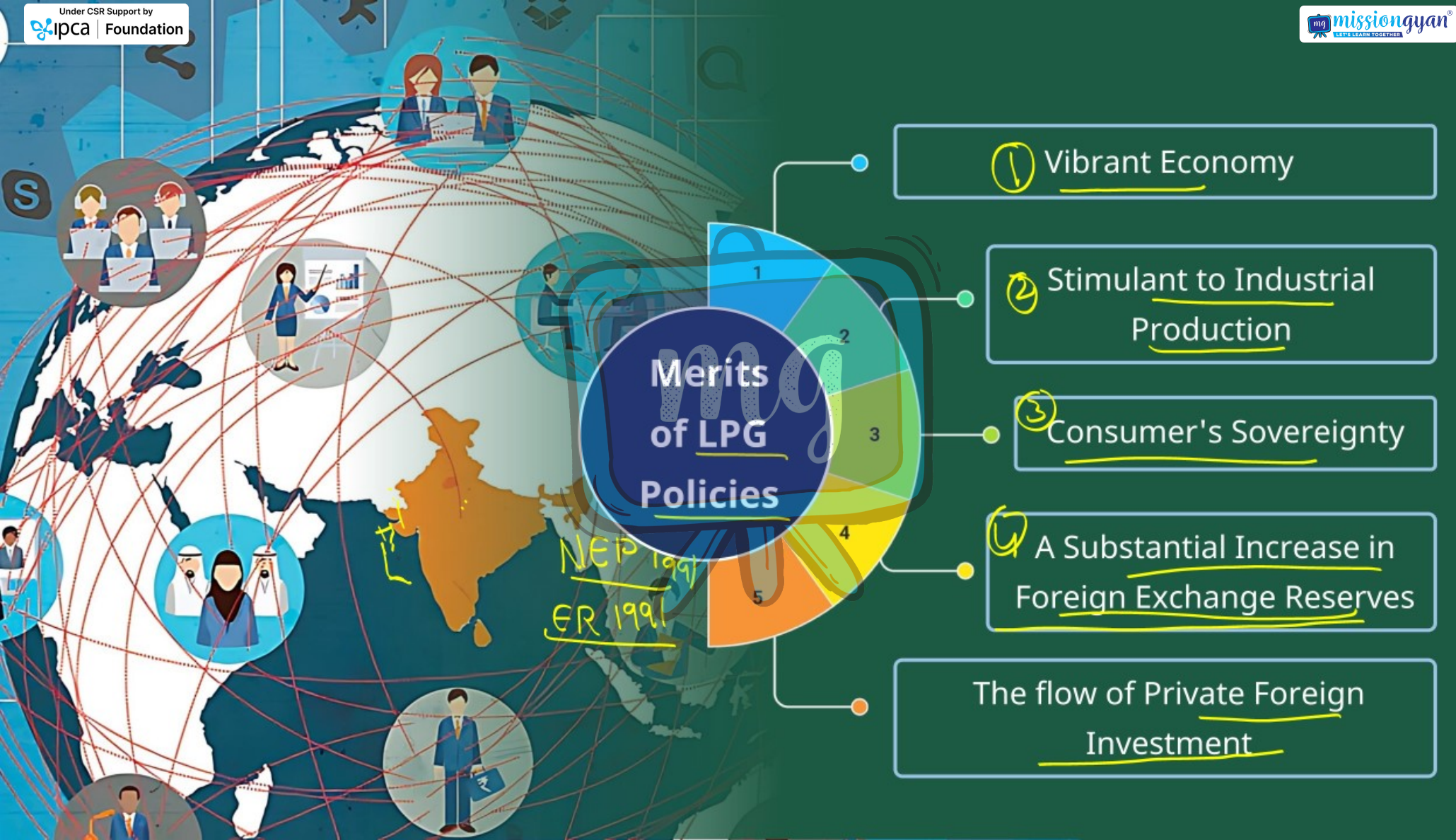
1. Economic Reforms & New Economic Policy

2. Liberalisation

3. Privatisation

4. Globalisation

5. Indian Economy During Reforms



1. Vibrant Economy

- ✦ The overall level of economic activity has indicated GDP growth.
- ✦ Post LPG policies, the growth of GDP shot up to as high as 8% per annum.

2. Stimulant to Industrial Production

- ✦ LPG policies have worked as a great stimulant to industrial production in the Indian economy.
- ✦ It is owing to these policies that the IT industry in India has achieved global recognition.

3. Consumer's Sovereignty

- ✦ Consumers' sovereignty has expanded over time as a large variety of goods and services from diverse global markets are now within the easy reach of buyers.
- ✦ Producers are widely responding to the customers' choice and preference.



4. A Substantial Increase in Foreign Exchange Reserves

✦ The forex reserves of the country have now reached a comfortable level.

✦ A good amount of forex reserves enhances the economic confidence of global investors in the Indian markets.

5. The flow of Private Foreign Investment

✦ This has been a matter of great relief to the government in view of facts that :

- (i) Domestic economy was not generating enough of surplus for reinvestment.


(ii) Indigenous technology was
getting obsolete.

✦ It is significant to note that private
foreign Investment is often
accompanied with innovative
techniques of production.

OTHER MERITS

- ▮ The post-1991 India witnessed a rapid growth in GDP on a continual basis for two decades.
- ▮ The growth of GDP increased from 5.6 per cent during 1980-91 to 8.2 per cent during 2007-12.
- ▮ During the reform period, the growth of agriculture has declined.



- 
- A photograph of a large industrial factory complex, likely a Volkswagen plant, situated along a river. The factory has several tall, dark brick chimneys and a large building with a prominent VW logo. The sky is blue with some clouds.
- While the industrial sector reported fluctuation, the growth of the service sector has gone up.
 - This indicates that GDP growth is mainly driven by growth in the service sector.



- ▮ The foreign investment, which includes foreign direct investment (FDI) and foreign institutional investment (FII), has increased from about US \$100 million in 1990-91 to US \$ 30 billion in 2017-18.



- There has been an increase in the foreign exchange reserves from about US \$ 6 billion in 1990-91 to about US \$ 413 billion in 2018-19.
- India is one of the largest foreign exchange reserve holders in the world.





Demerits of LPG Policies

① Neglect of Agriculture

② Urban Concentration of
Growth Process

③ Economic Colonialism

④ Spread of Consumerism

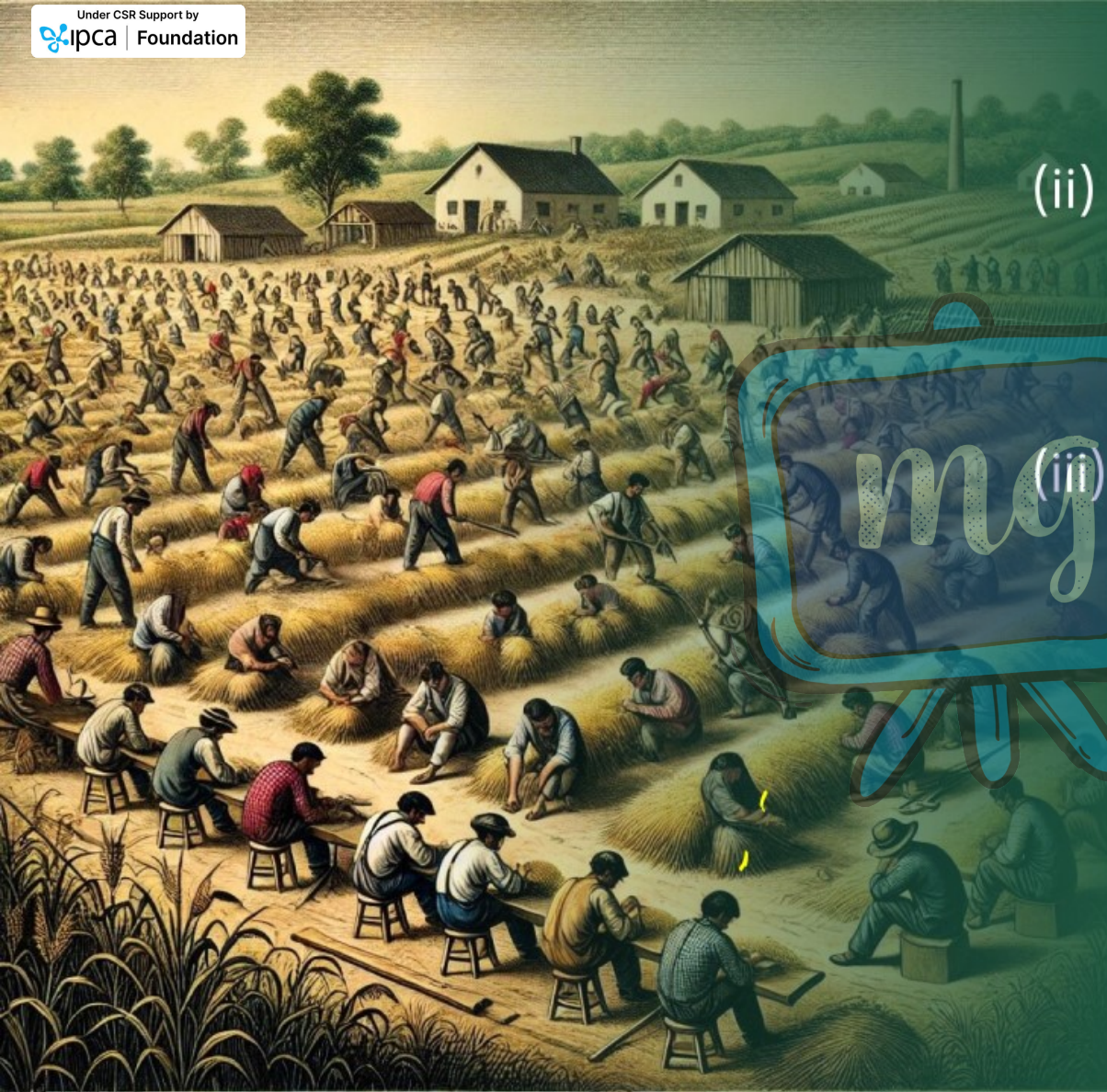
⑤ Cultural Erosion

1. Neglect of Agriculture

✧ The slow growth of the agricultural sector must ultimately hinder the process of growth of the industrial sector as well.

✧ This is because –

(i) It is an Important source of raw material for the Industrial sector.



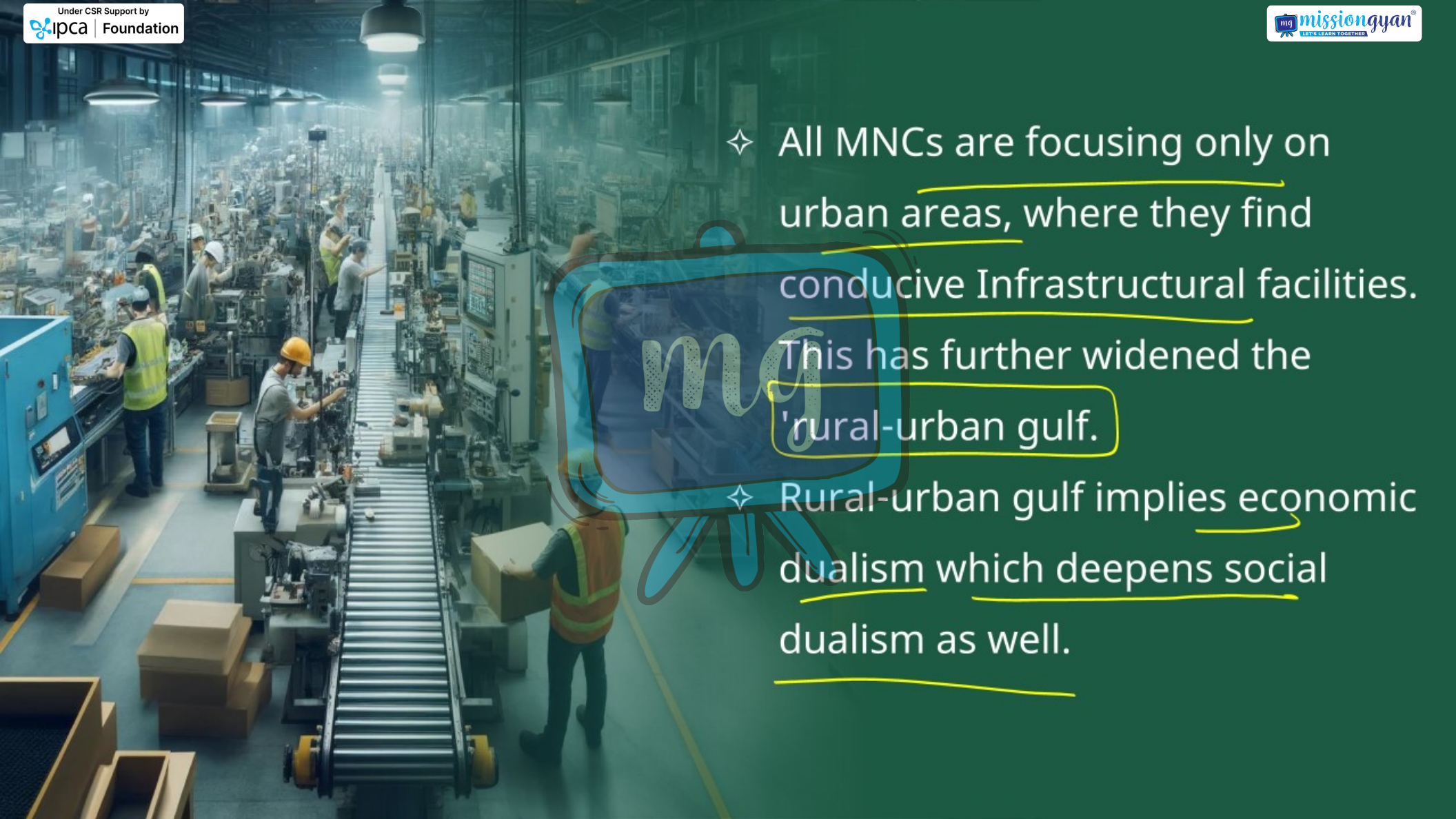
(ii) It is the principal source of labour supply to the Industrial sector.

(iii) It is a significant source of demand for industrial products like tractors and thrashers.

2. Urban Concentration of Growth Process

LPG policies have resulted in the concentration of growth process in urban areas.

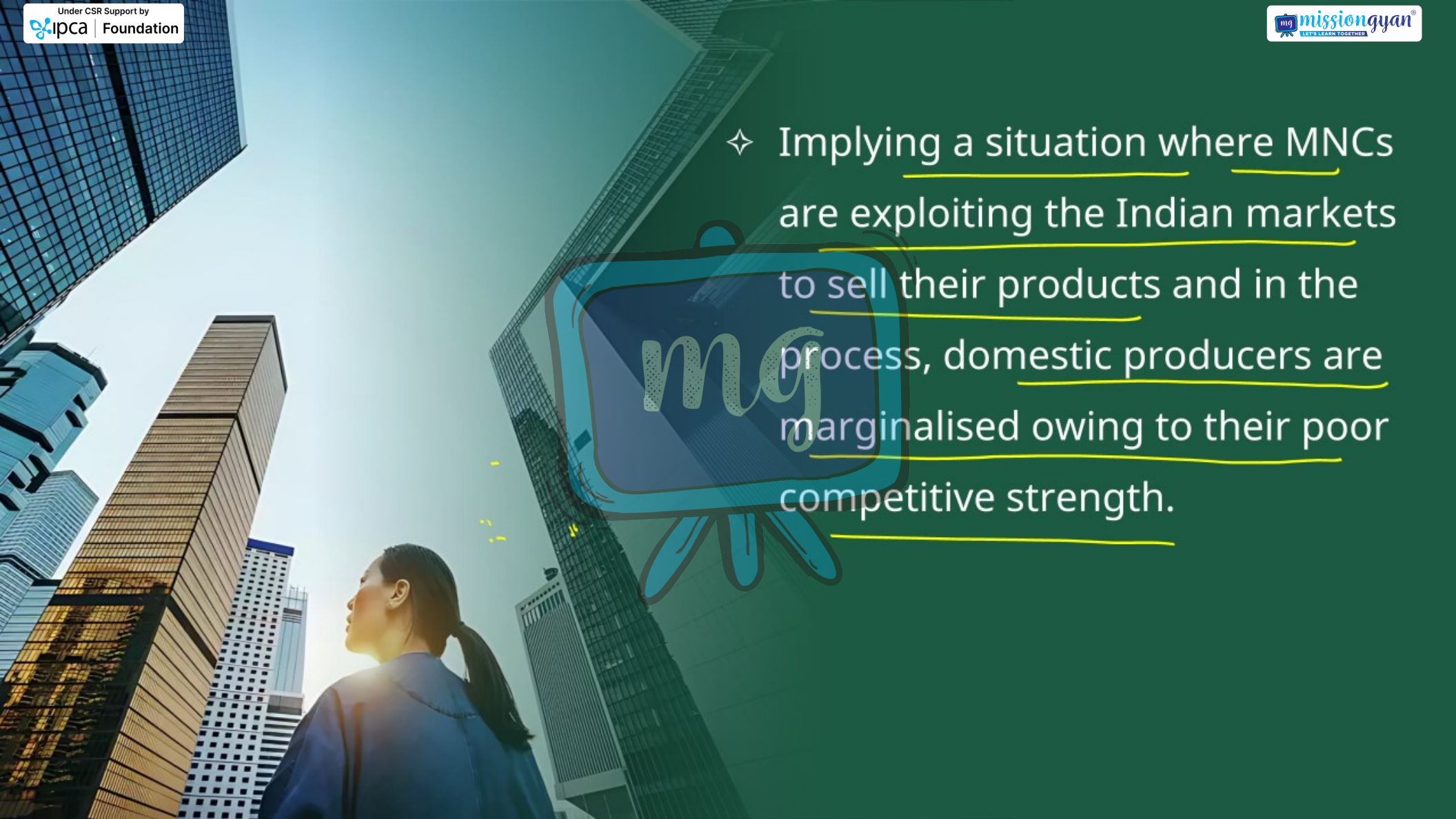


- 
- ✧ All MNCs are focusing only on urban areas, where they find conducive Infrastructural facilities. This has further widened the 'rural-urban gulf'.
 - ✧ Rural-urban gulf implies economic dualism which deepens social dualism as well.

3. Economic Colonialism

✦ India suffered nearly 200 years of political colonialism during British rule.

✦ Now, while MNCs are expanding their economic control, we might suffer a sort of economic colonialism.



✧ Implying a situation where MNCs
are exploiting the Indian markets
to sell their products and in the
process, domestic producers are
marginalised owing to their poor
competitive strength.

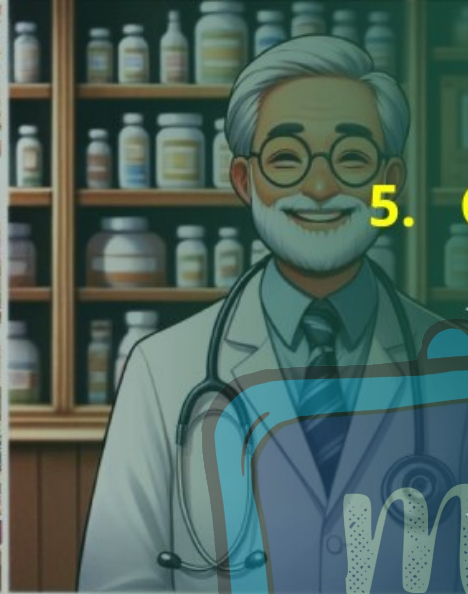
4. Spread of Consumerism

✧ The Spread of MNCs in the country as a consequence of LPG policies has resulted in a large-scale spread of consumerism.

✧ Indian society is adapting itself to the western culture of spending through borrowing.

✦ This may expand size of the
market for the traders and the
manufacturers but certainly
enhances the vulnerability of
the households consumers.





5. Cultural Erosion

- ✦ Globalisation has also led to cultural erosion In Indian society.
- ✦ Economic prosperity has taken a lead over all other parameters of life.



LEARNING OUTCOME



Merits and Demerits of LPG

ASSESSMENT

1

What is the negative impact of LPG policies 1991?

- ☐ A Neglect of agriculture
- ☐ B Cultural erosion
- ☐ C Urban Concentration
- ☒ D All of the above

ASSESSMENT

2

What is the positive impact of LPG policies 1991?

- ☒ A Neglect of agriculture
- ☒ B Cultural erosion
- ☒ C Urban Concentration
- ☒ D None of the above

ASSESSMENT

3

Which of the following is not a merit of Economic Reforms 1991?

- ☒ A Vibrant Economy
- ☒ B Consumer's Sovereignty
- ☒ C Increase in Foreign Exchange Reserves
- ☒ D Economic Colonialism