SECOND GENERATION REFORMS IN INDIA

(1996-2007)

Introduction

The economic reforms in l99l can be considered as a defining event in the development history of India. It made radical changes not only in all sectors of the economy , but also marked a departure from the past as it altered the time-tested Principles of Indian development policy growth with justice, social responsibility and accountability, equity and self-reliance ,etc. The economic reforms intended to reduce the fiscal deficit and to achieve high rate of growth, imposed fiscal austerity measures . As a result , the basic thrust of public policy in terms of subsidies, poverty alleviation, safety net programmes, unemployment schemes, etc., were altered .The new programmes like liberalisation Privatisation and globalisation(LPG) gained wider currency in the realm of economic policy.

However, the most important development in the reform process was the redefined role of the state vis-d-vis market in development. In other words, the reforms, through its renewed commitment to the market , altered the positive role of the state as an instrument to bring social change and as the agency for providing social security measures. The state was, thus, no longer considered as the agency for achieving welfare of the people, and this task was left to free market competition.

The fundamental objective of economic reforms is to bring about rapid and sustained improvement in the quality of the people of India. Central to this goal is the rapid growth in incomes and productive employment… The only durable solution to the curse of poverty is sustained growth of incomes and employment…. Such growth requires investment: in farms, in roads, in irrigation, in industry, in power and, above all, in people. And this investment must be productive. Successful and sustained development depends on continuing increases in the productivity of our capital, our land and our labour.

Through reform, India overcame its worst economic crisis in the remarkably short period of two years. Macro-economic stabilization reforms (along with structural economic reforms) were launched in June 1991.

In the first year of economic reforms the GDP growth rate was less than 1% but during 1996-97 period the GDP growth rate was 7.5%. The good perfomance of the economy reflect in large measure the successive good perfomance on the agricultural sector. After a decline of 2.3% in 1991-92, agriculture GDP recovered to growth of 8.2% in 1996-97. Due to this, food grain production is increased to 198.2 million tonne during this period. On the industrial front all the major industry segment witnessed severe recession during 1991-92, the index of industrial production grew less than 1% in 1991-92, but increased to 12.14% in 1995-96, but declined to 7.28% in 1996-97. The manufacturing production increased to 16% in 1995-96 but declined to 6.8% in 1996-97.The service sector grew at an average rate of 10%.So to increase the GDP growth rate, agriculture GDP, industrial production, service sector GDP, saving rate, gross domestic investment and to decrease the fiscal deficit a ‘’Second generation reform” Is needed.

Second Generation Reforms

THE term `second generation reform' is being increasingly used in India by ministers, mandarins and the media to refer to a general continuation of the process of economic reform and liberalisation initiated by the Centre at the behest of the International Monetary Fund in the early 1990s.

Second generation reform does, of course, involve a continuation of economic reform as construed by the IMF. According to Mr. Camdessus (former IMF Managing Director), by the early 1980s, much of the world had come to realise that, necessary though it was, macroeconomic stability was not enough.

The need to eliminate distortions and inefficiency in markets provided the motivation for a first generation of reforms intended to make markets work more efficiently _ pricing, exchange rate and interest rate reforms, tax and expenditure reforms and establishment of rudimentary market institutions. The need for such reforms was emphatically reinforced by the most dramatic economic event of the latter part of the (20th) century _ the final demise of central planning.

He had said: ``Economies, markets, institutions and organisations have been confronted with the need to evolve, to adapt to this new reality. Recognising the risks to global stability that could arise, the Interim Committee, in 1996, a year before the start of the Asian crisis, formulated the Partnership for Sustainable Global Growth. That document outlined succinctly the wide range of principles needed to promote high-quality growth: Sound macroeconomic policies, structural reforms and what we now refer to as second generation reforms."

- In India the second generation reform started from 1996 & end at 2007. This period include two five year plans. The 9th & 10th five year plan. So we have to observe the major achievements of Indian economy during this plans.

9th five year plan (1997-2002)

The 9th five year plan came after 50 year of indian’ independence. AtalBihari Vajpayee, leader of national democratic alliance was the prime minister of india during this period. It Is formulated to act as a tool for solving the economic & social problem existing in the country. The plan in fact, was born out of the government realization that the latent economic reserve of the country which were till not explored, should be utilized for the overall development and benefit of the indian economy in the coming five year. However, this could only be done when the indian government offer strong support and priority to the social sphere of the country, focusing especially on the complete elimination of poverty. This plan endeavoured to formulate fresh action to initiate improvement in the overall economic and social sector of the nation. To this effort there was mutual contribution from the general population of india as well as the governmental agencies. This joint private & public attempt ultimately assured development of the indian economy.

Objectives

1. Priority to agriculture & rural development with view to generating adequate productive employment and eradication of poverty.
2. Accelerating the growth rate of the economy with stable price.
3. Ensuring food & nutritional security for all particularly the vulnerable section of society.
4. Providing basic minimum service of safe drinking water, primary health care facilities, universal primary education, shelter and connectivity to all in time – bound manner.
5. Containing the growth rate of the population.
6. Ensuring environmental sustainability of the developmental process through social mobilization & participation of the people at all level.
7. Empowerment of women and socially disadvantaged group(SC/ST/OBC/minorities) as agents of socio-economic change and development.
8. Promoting & developing people' participatory institution like Panchayat raj institution, co-operative & self- help group
9. Strengthening effort to build lf reliance.

Head of Development	Centre	States/UTs	Total Ninth Plan
Agriculture & Allied Activities	14,876	27,586	42,462
Irrigation & Flood Control	2,291	53,129	55,420
Rural Development	42,278	32,408	74,686
Special Programmes*	0	3,649	3,649
Energy	1,53,807	68,568	2,22,375
Industry & Minerals	51,664	13,484	65,148
Transport	81,791	37,582	119,373
Communication	47,249	31	47,280
Science, Technology & Environment	15,449	3,009	18,458
Gen. Economic Services	6,279	8,301	14,580
General Services	1,393	11,103	12,496
Social Services	72,284	1,10,989	1,83,273
Total	4,89,361	3,69,839	8,59,200

<u>Review of this plan</u>

The special feature of the 9th plan was the prime minister the 'Special action plan(SAP). It concentrated on five year; food & agriculture; physical infrastructure; health, education & drinking water; information technology & water resource.

The rate of growth of GDP during the 9th plan dropped to 6.7% during the 8th plan this was against the target of 6.5%. the rate of growth declined particularly in the agriculture & manufacturing sector, where in the service sector there was marginal increase in the growth rate. In the agriculture three of the five year of the 9th plan witnessed poor performance due to weather related shock.

Indian economy during the 9th plan

sector	%
agriculture	2.06
Manufacturing	4.51
service	7.78
Total	5.35

The Asian in crisis in 1997 & slowdown in the world economy, coupled with poor performance of agriculture during 1997-2000,led to reduced demand for industrial good & consequent reduction in the growth rate in the industrial sector.

Some other problem such cyclone in Orissa, earthquake in Gujarat, kargil war etc. lo resulted in diversion of resource from investment & consequent decline in growth rate.

The rate of investment was 24.2 was accounted for by the private sector. The excess of investment over saving resulted in current account deficit of 0.9%. The fiscal position of both central & state government worsened on account of low generation of internal resource by the public sector to decline of 14.2% in the tax- GDP ratio. The combined fiscal deficit of central & state government increased from 6.3% of GDP to 8.7% in 2002-02.

During the 9th plan period, Indian bop position remained mostly comfortable. Export increased by 5.6% against the target of 11.8%. on the other hand, import increased by 4.1% against the target of 10.8%. the trade deficit for the plan whole was 74 billion. However, despite trade deficit of this magnitude the foreign exchange reserve from 26.4% in 1996-97 to 54.2 billion in 2001-2002.

The share of external debt decline from 5.6% of GDP in 1992-93 to 2.6% in 2001-2002.Tax revenue decreased by more than 1% point from 6.85% in 1996-97 to 5.80% in 2001-2002.

In education the progress of acess was impressive. During the first three year of the ninth plan, over 43000 new school were opened & 130000 new teacher recruited the primary level, while more than 21000 new school & 102000 teacher were added in the upper primary school. In the field 0f higher & technical education, many universities of science & technology & health science& autonomous.

The plan made effort to create an enabling environment where women could freely exercise their right & lo the plan attempted convergence of existing services available in both women specific & women related sector.

The integrated rural development programme concentrated on individual beneficaries, the Swarnajayanti gram swarojgar yojna(SGSY) laid greater emphasis on social mobilisation and group formation. Under the jawahar gram samridhi yojna(JGSY) 80 lakh man day employment were generated.

THE TENTH FIVE YEAR PLAN (2002-2007)

The Tenth Five Year Plan (2002-07) is being prepared against a backdrop of high expectations arising from some aspects of the recent performance. GDP growth in the post reforms period has improved from an average of about 5.7% in the 1980s to an average of about 6.5% in the Eighth and Ninth Plan periods, making India one of the ten fastest growing developing countries. Encouraging progress has also been made in other dimensions. The percentage of the population in poverty has continued to decline, even if not as much as was targeted. Population growth has decelerated below 2% for the first time in four decades. Literacy has increased from 52% in 1991 to 65% in 2001 and the improvement is evident in all States. Sectors such as software services, entertainment and IT enabled services have emerged as new sources of strength creating confidence about India's potential to be competitive in the world economy.

The Tenth Plan provides an opportunity, at the start of the new millennium, to build upon the gains of the past but also to address the weaknesses that have emerged. We must respond to the growing impatience in the country at the fact that large numbers of our population continue to live in abject poverty and there are alarming gaps in our social attainments even after five decades of planning. To meet this challenge squarely, the Tenth Plan must learn from past experience. It must strengthen what has worked well, but it must also avoid repeating past failures. We must be willing to modify policies and institutions based on past experience, keeping in mind the changes that have taken place in the Indian
economy and in the rest of the world.. We must, therefore, draw up a reform plan instead of merely having a resource plan.

Objectives

- Traditionally, the level of per capita income has been regarded as a summary indicator of the economic well being of the country and growth targets have therefore focused on growth in per capita income or per capita GDP. In the past, our growth rates of GDP have been such as to double our per capita income over a period of nearly 20 years. Recognising the importance of making a quantum jump compared with past performance, the Prime Minister has directed the Planning Commission to examine the feasibility of doubling per capita income in the next ten years. With population expected to grow at about 1.6% per annum, this target requires the rate of growth of GDP to be around 8.7% over the Tenth and Eleventh Plan periods.

- The Commission had arranged wide-ranging consultations with groups of experts to invite lateral inputs at an early stage in the process of Plan formulation especially with regard to the feasibility of high growth. Almost all the experts were of the opinion that a 8 to 9 per cent annual growth target for the next ten years was technically feasible, but they also emphasized that it could not be achieved through a "business as usual" approach. On the contrary, it would require concerted action in several areas, often involving a radical departure from present practices.

- Tenth Plan should aim at an indicative target of 8.0% GDP growth for the period 2002-07. This is lower than the growth rate of 8.7% needed to double per capita income over the next ten years, but it can be viewed as an intermediate target for the first half of the period. It is certainly a very ambitious target, especially in view of the fact that GDP growth has decelerated to around 6% at present. Even if the deceleration is viewed as a short term phenomenon, the medium term performance of the economy over the past several years suggests that the demonstrated growth potential over several years is only about 6.5%. The proposed 8% growth target therefore involves an increase of at least 1.5 percentage points over the recent medium term performance, which is very substantial.
- Economic growth cannot be the only objective for national planning and indeed over the years, development objectives are being defined not just in terms of increases in GDP or per capita income but more broader in terms of enhancement of human well being. This includes not only an adequate level of consumption of food and other types of consumer goods but also access to basic social services especially education, health, availability of drinking water and basic sanitation. It also includes the expansion of economic and social opportunities for all individuals and groups, reduction in disparities, and greater participation in decision making. The Tenth Plan must set suitable targets in these areas to ensure significant progress towards improvement in the quality of life of all our people

For the achievement of this objectives, ceratain monitorable targets are introduced.

MONITORABLE TARGETS FOR THE TENTH PLAN

- Reduction of poverty ratio by 5 percentage points by 2007 and by 15 percentage
- points by 2012;
- Providing gainful high-quality employment to the addition to the labour force over the Tenth Plan period;
- All children in school by 2003; all children to complete 5 years of schooling by 2007;
- Reduction of gender gaps in literacy and wage rates by at least 50% by 2007.
- Reduction in the decadal rate of population growth between 2001 and 2011 to 16.2%;
- Increase in Literacy rate to 75% within the Plan period;
- Reduction of Infant mortality rate (IMR) to 45 per 1000 live births by 2007 and to 28 by 2012;
- Reduction of Maternal mortality ratio (MMR) to 2 per 1000 live births by 2007 and to
  1 by 2012.
- Increase in forest and tree cover to 25% by 2007 and 33% by 2012.
- All villages to have sustained access to potable drinking water within the Plan period;
- Cleaning of major polluted rivers by 2007 and other notified stretches by 2012.

Plan-wise Selected Indicators of Development in India – Sectoral Growth Rates (1997-02 to 2007-12)

Indicators	IX Plan (1997-2002)	X Plan (2002-07)	XI Plan (2007-12)
Agriculture, Forestry & Fishing	2.5	2.3	3.0
Mining & Quarrying	4.0	6.0	5.2
Manufacturing	3.3	9.3	8.3
Elect. Gas & Water Supply	4.8	6.8	6.4
Construction	7.1	11.8	8.2
Trade, Hotels & Restaurant	7.5	9.6	7.0
Transport, Storage & Communications	8.9	13.8	12.3
Trade, Hotel etc. + Transport, Communications, Storage	8.0	11.2	10.0
Financing Insurance, Real Estate & Business Services	8.0	9.9	11.0
Community, Social & Personal Services	7.7	5.3	9.0
Total GDP	5.5	7.8	8.2

Industry	**4.3**	**9.4**	**7.9**
Services	**7.9**	**9.3**	**10.1**
Investment Rate (Gross Capital Formation adjusted for errors and omissions)	24.6	31.8	36.0
Fixed Investment	**23.2**	**28.4**	**30.9**
of which			
Household Sector	9.9	11.7	11.6
Private Corporate Sector	6.6	9.6	11.0
Public Sector	6.6	7.1	8.3
Infrastructure Investment	4.6	5.2	7.0
Savings Rate	**23.7**	**31.8**	**33.7**
of which			
Household Sector	**20.5**	**23.2**	**23.3**
Private Corporate Sector	**4.0**	**6.4**	**8.1**
Public Sector	**-0.8**	**2.0**	**2.7**
of which			
Govt. Administration	-4.9	-2.6	-1.3
Public Enterprises	4.0	4.6	4.0
Current Account Balance	**-0.6**	**0.0**	**-2.6**
of which Trade Balance	-2.6	-2.5	-5.0
Capital Account Balance	**2.1**	**3.5**	**4.1**
of which Equity	1.1	1.7	2.5
Central Govt. Fiscal Balance	**5.9**	**7.0**	**7.5**
Consolidated Fiscal Balance	9.2	7.6	7.8
Unemployment rate (Terminal year)	**1.8**	**Neg**	**-3.5**

Though the economy (Gross State Domestic Product) of the State was expected to grow at the rate of 8 %, it actually grew 7.5%. The primary sector, which contributed 24.79% of the Gross State Domestic Product in 1993-94, dropped to 18.22% in 2001-02 and further declined to 13.34% in 2005-06. The secondary sector's contribution to GSDP was 33.69% in 1993-94, which declined to 31.02 % in 2001-02 and further declined to 30.27% in 2005-06. However, the tertiary sector's contribution to GSDP, which was 41.52% in 1993-94 increased to 50.76% in 2001-02 and increased further to 60% in 2006-07

Agriculture

Tenth Five Year Plan had targeted a growth rate of 4 % in the GSDP of agriculture and allied sectors and an output 106.38 LMT of food grains per year during the 10th Plan period. The actual performance in the first four years of the Tenth Plan has been far below this target. Due to a severe drought in 2002-03, the first year of the Tenth Plan, the agriculture sector witnessed a severe setback and the growth rate dipped to a low of (-) 21.93%. In 2003-04 the State witnessed a very severe drought and the foodgrain production was only 43.22 LMT. With favourable weather conditions, the state reached a level of 61.46 and 74.25 LMT during 2004-05 and 2005-06 respectively and is targeted to achieve 95.35 LMT in 2006-07.

Industries

The Secondary sector including manufacturing and electricity, gas and Water Supply and Construction grew at the rate of 5.37% during the first four years of the Tenth Plan period, though the target was 7.12%. However, this was much higher than the achievement of 2.34% during the Ninth Plan. Within the secondary sector, the manufacturing sector grew at 5.50% during the Tenth Plan period and construction at the rate of 4.39%.At the end of this plan the industrial sector attained a GDP growth of 8.9%.

Services

The tertiary sector showed a growth rate of 7.81% in 2002-03 which rose to 9.13% in 2005-06. The Sector is the fastest growing one with a growth rate of 8.73 % during the first four years of the Tenth Five Year Plan as compared to the 7.42 % during the Ninth Plan. The target for the growth of the tertiary sector was 9.77% & it achieved 9.3% growth.

Investments

The Tenth Plan projected an investment requirement at Rs. 2,62,502 crore, of which the state was to meet Rs. 40,000 crore as the State Sector outlay with Rs. 48,000 crore as the Central Sector outlay, while the remaining Rs. 1,74,502 crore was to be met from Private and Foreign Direct Investments. Out of Rs.40,000 crore of State Sector outlay, Rs.36786 crore, has been budgeted in real terms during the period from 2002-03 to
2006-07, which works out to 91.97 %.

Fiscal Balance

It was targeted to bring down the fiscal deficit from the then level of 3.6% of GSDP to 1.5% by the end of the Tenth Plan. As per the Revised Budget Estimates of 2006-07 the fiscal deficit is 2.6% of GSDP. The ratio of revenue deficit to revenue receipts was to be brought down from the then level of 19% to 0% by the end of the Tenth Plan. There has been significant progress and the revenue deficit has been reduced to 4.41% in Revised Budget Estimates presented during June 2006. Till September 2006, the Revenue Receipts showed a growth of 21.3 % over the corresponding period of 2005, while the Revenue Expenditure showed 7.75% growth, thus reflecting a probable improvement over the budgetary estimates of revenue deficit.

Education

It was aimed to have universalisation of education until Class V by the year 2005, with special emphasis on education for girls and disadvantaged groups, 100% retention of all enrolled children till the age of 14 by 2007 and 100% access to a school within a kilometre by 2007. Education Guarantee Scheme (EGS) centres helps to provide is to provide additional access to enroll and to retain girls and SC/ST children in some select pockets.

Health

The Tenth Plan targeted to reduce the Infant Mortality Rate (IMR) from 52 per 1000 live births in 1999 to 28 per 1000 live births by the year 2007 and to reduce the Maternal Mortality Rate (MMR) from 1.5 per 1000 births to 1.0 by the year 2007 and further to 0.5 by 2012. The IMR has been reduced to 37 per 1000 live births in 2005 and MMR is 0.9 per 1000 live births in 2004.

😁THANK YOU ALL😁

Jacob & Georgi

On g style……..

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