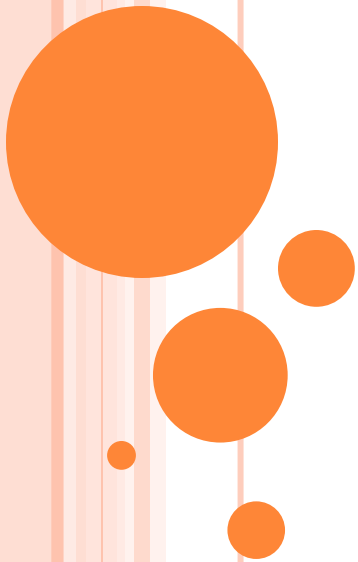


ECONOMIC REFORMS

- **Background**
- **Process**
- **Impact**
- **Challenges**



BACKGROUND 1

- In any economy, there are three activities that take place primarily:
 1. Production
 2. Governance
 3. Welfare

IMF said that it is not possible for the government to perform all the 3 together, so it must choose 2 functions and omit one.



BACKGROUND 2

- Any production work should be done outside the government.
- The Govt. has no business to be in business.



BACKGROUND 3

- Though, India is an agro-based economy, it needs to focus on other sectors other than agriculture to grow.
- Neglected Sectors- Industry, Banking, Insurance, Foreign Trade, Capital Trade



BACKGROUND 4

- Employment generation is a wrong activity or objective as it is not sustainable in future
- The employment created today will be a burden because eventually the employee would ask for a raise.



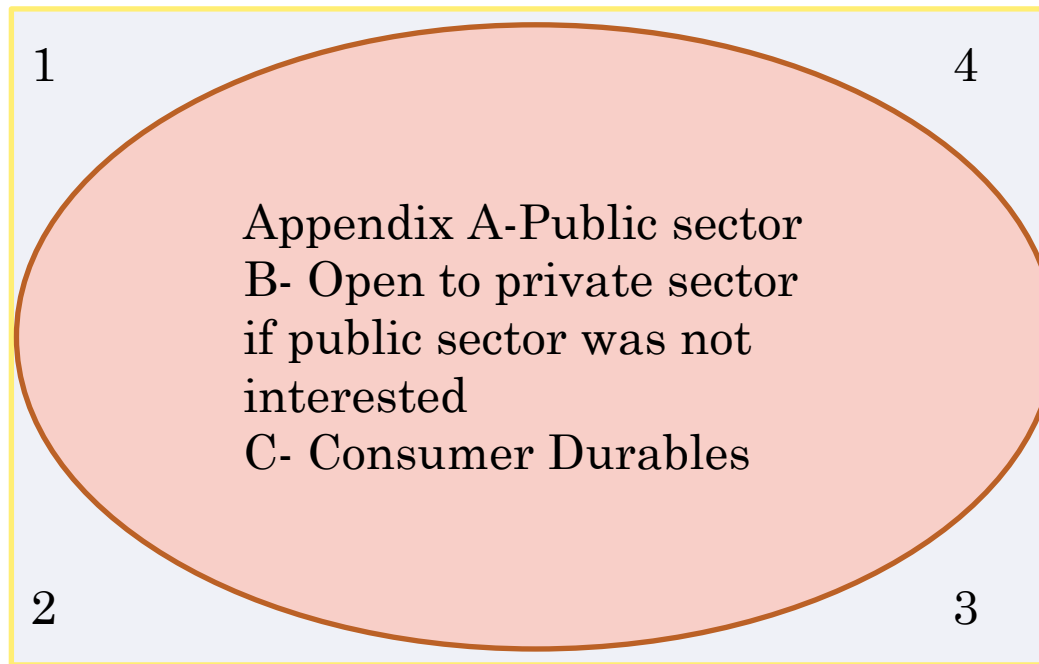
REFORMS

1 st Generation Reforms	2 nd Generation Reforms
Committees were formed.	Government Institutions were formed.
Could be done by Executive Order of Government.	Requires building consensus for Amendment/ Act to be passed.
Committee	Authority
Malhotra Committee	Insurance Regulatory Development Authority
Damodran Committee	Security Exchange Board of India
Foreign Exchange Regulation Act(FERA),1973	Foreign Exchange Management Act (FEMA), 1991



- What is Public Sector?
- What are its objective?

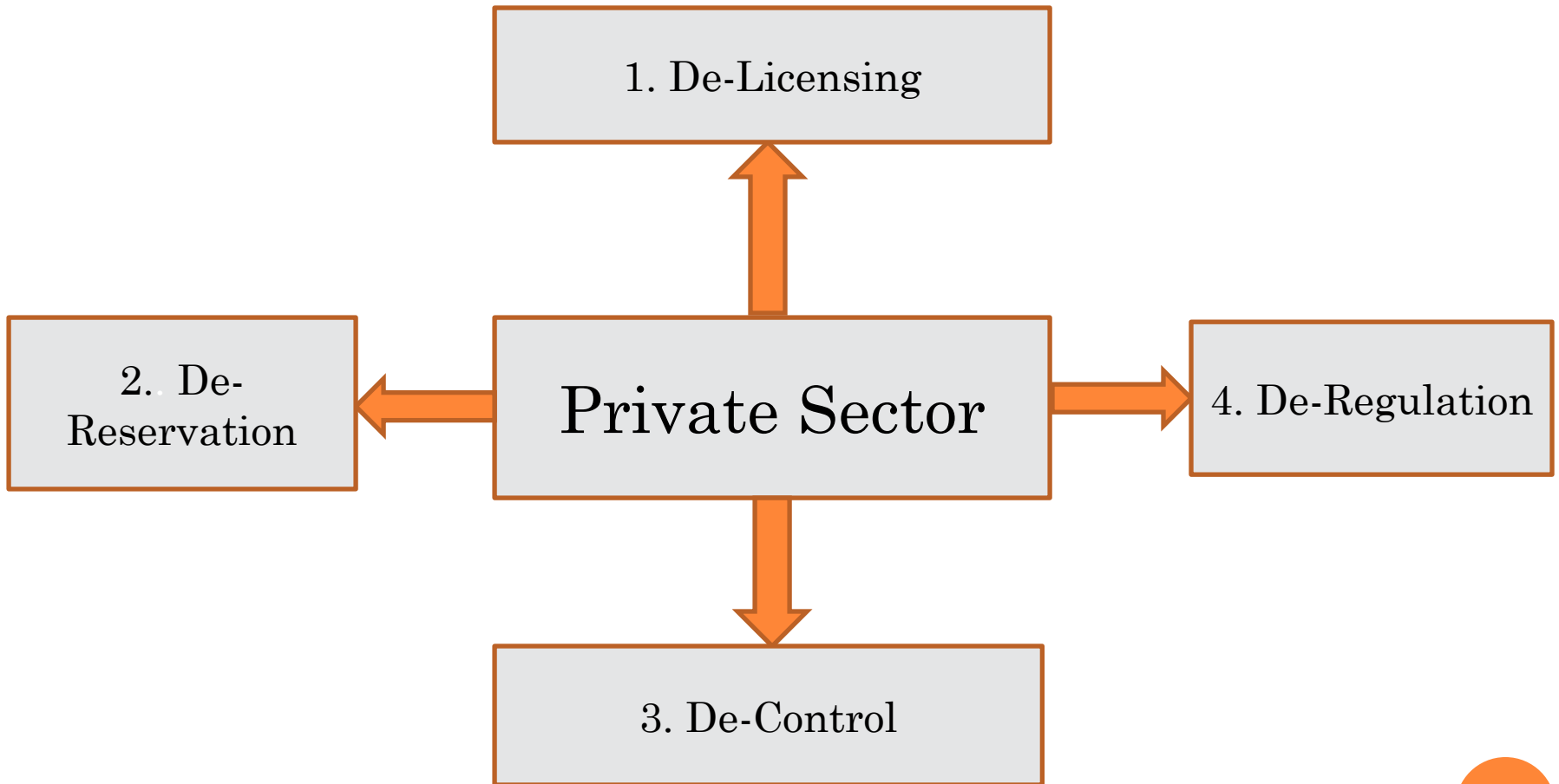




- 1- Limited Space for Private Sector
- 2- Requirement of Industrial License
- 3- Controlled Prices
- 4- MRTP/FERA Companies



LIBERALIZATION



De-Licensing

Arms & Ammunitions

Industrial Explosives

Defense Equipment

Mining of Minerals

Hazardous Chemicals

Drugs and Pharmaceuticals

Alcohol & Tobacco Products

De-Reservation

Existing Public Sectors except
critical sectors

Atomic Energy

Space

Railway Operations

Mining of rare minerals

De-Control

Minerals

CNG/LNG/Gas

Kerosene

Fertilizers (Urea)

Sugar

Price of utilities
(Electricity, Water,
Transport)

De-Regulation

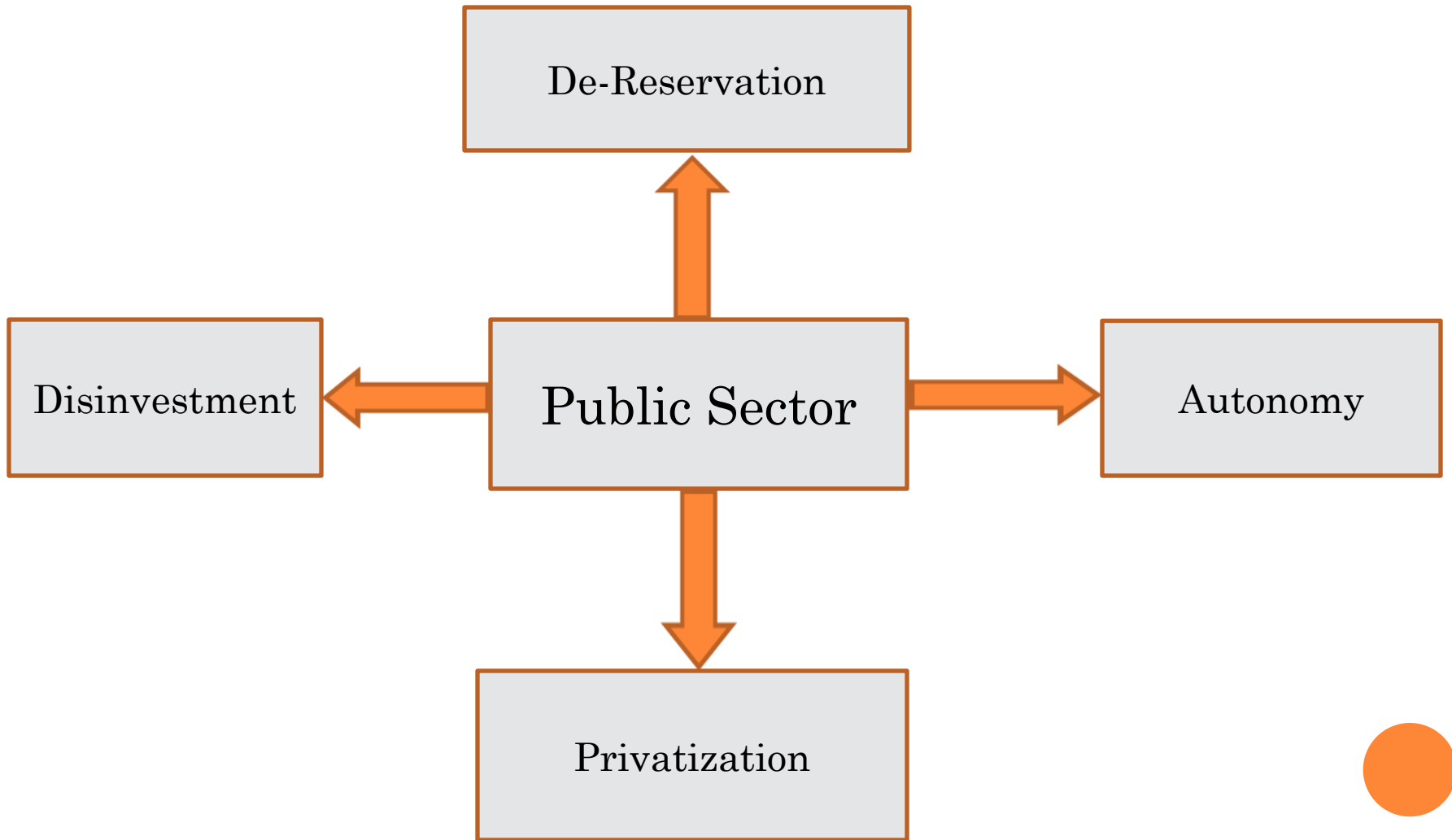
All licenses were discontinued for capacity, more machines, diversification, importing, exporting

No private sector company would be categorized as MRTP company or FERA company, so no raids (Raids could only be conducted by court order)

Labour/Factory inspects only for compliance with labour and factory laws

Factory can only be inspected once a year.

PRIVATIZATION



Disinvestment

Selling shares with the objective of raising resource for the government.

Shares will be sold to general public

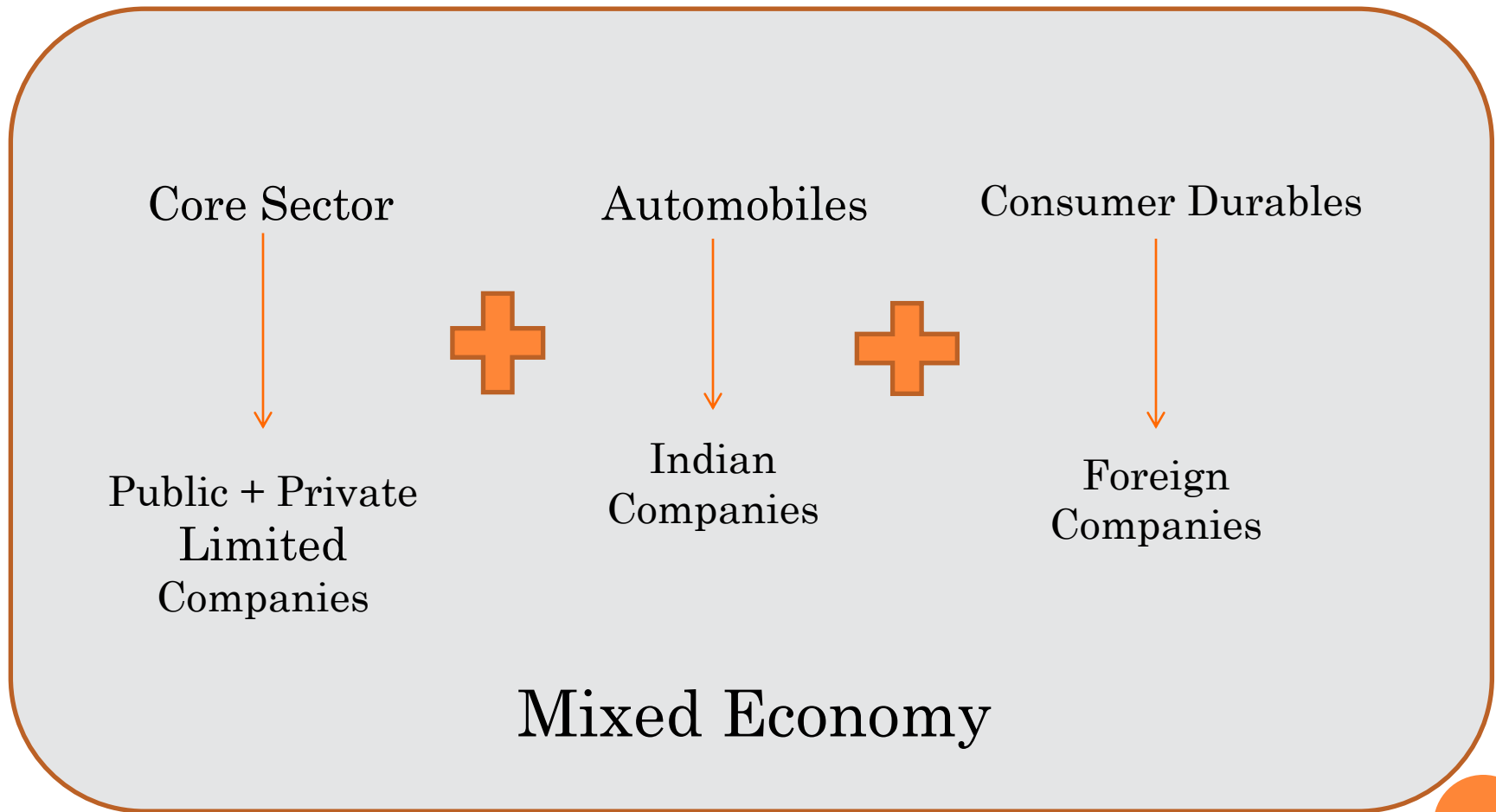
Privatization

Selling shares with the objective of Transfer of Management Control

Shares will be sold to a specific buyer.



IMPACT OF ECONOMIC REFORMS



CORPORATE SOCIAL RESPONSIBILITY

Spend minimum 2% (average profit of 3 years) if

- a) Net worth (Capital & Reserves) > ₹ 500 crore
- b) Turnover (Sales) > ₹ 1000 crore
- c) Net Profit (After taxes) > ₹ 5 crore

