CHAPTER 3

NEW ECONOMIC POLICY AND HUMAN DEVELOPMENT
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Soon after taking over as Prime Minister in 1985, Mr. Rajiv Gandhi outlined the new trends in economic policy of the Government. The recipe suggested led by him was: improvement in the productivity, absorption of modern technology and fuller utilization of capacity must acquire the status of the national campaign, the basic thrust of the new economic policy was a greater role for the private sector.

To provide larger scope to the private sector, a number of changes in policy were introduced with regard to industrial licensing, export-import policy, technology upgradation, fiscal policy, foreign equity capital, removal of controls and restrictions. Rationalizing and simplifying the system of fiscal and administrative regulation. All these changes were directed towards creating an uninhibited climate for private sector so that private sector investment could get a big boost to modernize the economy and usher in rapid growth. Professor K. N. Raj rightly sums up the focus of new economic policy: "There has been however a general agreement that a very distinctive feature of these policy changes taken as a whole in the greater scope for the unfettered expansion they offer to the private sector, particularly in the corporate segment of the manufacturing industry and the opportunities opened up to multi-national enterprises."

Consequently, the new economic policy focussed its attention on the dismantling the edifice of controls so as to remove unnecessary hurdles in securing licenses, in adjusting output to the administered prices and in denying industrial licensing to MRTP (Monopolies and Restricted Trade Practices) companies.

Although economic reforms were introduced under Rajiv Gandhi regime, they did not yield the desired result. The balance of trade deficit, instead of narrowing down, increased. Whereas the average deficit in trade balance during the Sixth Plan
(1980-1985) was of the order of Rs. 5,930 crores, it jumped to Rs. 10,840 crores during the Seventh Plan (1985-1990). There was also decline in the receipts on invisible account, from Rs. 19,070 crores during the Sixth Plan to Rs. 15,890 crores during the Seventh Plan. Consequently, the country was faced with a serious balance of payment crisis. Thus, India was forced to approach the World Bank and IMF to provide a huge loan of the order of about $7 billion to bail India out of the crisis. While agreeing to provide assistance to India, the World Bank, IMF insisted that the Government must put its economy back on rails.

The congress (I) Government, soon after resumption of office on June 21, 1991, adopted a number of stabilization measures that were designed to restore internal and external confidence. Monetary policy was tightened further through increase interest rates, the exchange rate of the rupee was adjusted by 22 percent and major simplification and liberalisation of trade policy was announced. The government adopted, as the centerpiece of the economic strategy, a programme to bring about reduction in fiscal imbalance to be supported by reforms in economic policy that were essential to impart a new element of dynamism to the growth process in the economy. In his memorandum on Economic policies submitted to IMF (International Monetary Fund) Dr. Manmohan Singh proposed: The thrust will be to increase the efficiency and international competitiveness of industrial production, to utilize foreign investment and technology to a much greater degree than in the past, to improve the performance and rationalize the scope of the public sector, and to reform and modernize the financial sector so that it can more efficiently serve the needs of the economy. The major areas of the second wave of economic reforms are:

(i) Fiscal Policy Reform
(ii) Monetary Policy Reform
(iii) Pricing Policy Reform
(iv) External Policy Reform
(v) Industrial Policy Reform
(vi) Foreign Investment Policy Reform
(vii) Trade Policy Reform
(viii) Public Sector Policy Reform

The goals of economic reform have been succinctly recapitulated in the discussion paper of the Ministry of Finance.

"The fundamental objective of economic reform is to bring about rapid and sustained improvement in the quality of life of the people of India. Central to this goal, is the rapid growth in incomes and productive employment. Hundreds of millions of our people are still trapped in abject poverty. The only durable solution to the curse of poverty is sustained growth of incomes and employment: in-farms, roads, irrigation, industry, 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, land and labour.

Investment in people and capital is necessary, but not enough for rapid productivity growth. We must also foster an environment which encourages full utilisation of our material and human resources and ensures that they are deployed in the most productive manner. What kind of economic environment will achieve this? Decades of development experience in dozens of countries show that a good economic environment combines the discipline of competitive markets with efficient provision of key public services, such as primary education, primary health care, transport and communication and, of course, law and order. Consumers gain from choice. And producers (Public or Private) are most productive when exposed to competition. Government should foster the maximum flowering of personal initiative and efforts, but it must also step in where markets fail or are abused by powerful sectional interests."
Fostering an economic environment, which promotes rapid, broad-based development, will not be easy. Old habits of thinking and working must be shed. Difficult decisions will have to be taken which hurt powerful vested interests. Reforms of broad policy will not be enough. They must be accompanied by reforms of laws, rules and procedures. But it can be done. We should ask ourselves why do millions of our countrymen and women who migrate abroad, prosper? Because the environments they go to, reward hard work, efficiency, discipline and social responsibility. Surely, we can cultivate such an environment at home, so that 100 million of us can also enjoy the fruit of prosperity without leaving our beloved land.

Within a generation, the countries of East Asia have transformed themselves. China, Indonesia, Korea, Thailand and Malaysia today have living standards much above ours. The proportion of poor in these countries has declined from 40 percent and higher in the early 1960s to below 10 percent. Their levels of life expectancy, nutrition, literacy, school enrolment and medical facilities are much higher than ours today. Though they were not so very different two or three decades ago. What they have achieved, we must strive for. To repeat, the goal of our economic reforms is to improve the living standards of all of our people, not just the rich and privileged. Reforms will be difficult and will take several years. But the alternative of continuing widespread poverty, unemployment, illiteracy, disease, malnutrition, rising inflation and stagnant production is unacceptable.

The New Economic Policy is an amalgam of several policy statements and measures, relating to devaluation, industrial policy, commerce and trade policy, banking policy, budgetary policy, etc. These steps constitute a package deal-devaluation, liberalisation, deregulation, privatisation, marketisation, globalisation, and so forth.

They were necessitated by the BOP (Balance of Payment) crisis, unprecedented liquidity crisis, fiscal crisis, and so on. They were intended to meet the IMF conditionalities. The economic reform that they purport to bring about is intended to
be structural, short of which the loans would not prove productive. Non-observance of those conditions had made loans taking inevitable. These essentially export and foreign investment-oriented measures are supposed to discipline the economy and augment its level of efficiency. It is assumed that accelerated growth, modernisation, and technological upgradation would remedy the problems of poverty and unemployment, would take care of the optimum rate of growth, would pare down inequality, would obviate economic disproportionalities and social contradictions. The reforms are being introduced in steps-more of them are yet to come.

The Economic Reform Policy has been formulated to provide a competitive stimulus to all sectors for building greater efficiency and growth with a view to surer attack on poverty and speedy alleviation strategies. The reform consist of basically three main strategies:

(i) Liberalisation,
(ii) Privatisation, and
(iii) Globalisation.

"The importance of sound macroeconomics management, for example, has seldom been questioned at least in India. If people have sinned, people have done so with regret and repentance. On microeconomics policies, there has been undoubtedly, good deal of miscalculation and even argument. But, most of the people would now endorse a shift away from planning to policy orientation, from discretionary government intervention to a greater acceptance of market forces, from controls to administered process to transparent incentives and disincentives from public to private ownership of the means of production and from increasing public investment towards some privatisation and lower taxation. Encouragement of competition in all markets and a hospitable attitude to Foreign Direct Investment (FDI) is now seen to be essential for economic efficiency. Moreover, liberal and competitive policies have, by
and large a positive impact on social equity, and the creation of a climate less conducive to corruption is in itself no small gain.”

It is difficult to attempt a more elegant definition of liberalisation than what Dr. I. G. Patel has described in his speech at the 1993 World Bank conference on Development Economics. Over the last two decades, many countries—both developed and developing—have undertaken economic reforms which have involved a movement away from the command economy towards market-orientation. While in the widest sense, liberalisation has come to mean reduction in the state’s control over economic processes it ranges all the way from such virtual withdrawal of the state from all economic activities, to a sectoral change comprising of mere abandonment of direct discretionary controls, or introduction of automatic regulation of price system, or substitution of quotas by tariffs in a sectoral sense. Liberalisation can also refer to opening up of imports or trade in general, capital movement, foreign exchange regime and of internal industrial policy. It is referring in this chapter, to liberalisation of the economy as a whole, which commenced in India in 1991.

In July 1991, India faced a deep economic crisis and was in danger of default on its external debt. Inflation ran at close to an analysed rate of 18 to 20 per cent and reserves were at an all time low. The government of India, under Mr. P. V. Narsimha Rao’s leadership, which took office at this stage, started the present phase of liberalisation of the economy. While this programme encompassed the macro economy, it emphasised reform of governance, with special reference to the financial sector, trade policies, the fiscal system and the public sector. In order to appreciate the significance of this movement towards liberalisation, one has to note the backdrop of the Indian system of economic management. Over the years, starting from independence, the Indian Government had set up a massive web of controls over the whole spectrum of economic activities. This followed the general trend in the developing world and in parts of Europe, where the ideology of a socialist state had been accepted.
Even extreme advocates of a market-oriented economy will not, however, deny that state intervention although originally impelled by equity considerations, has played an important role in promoting new industrial activity in India. This was all the more essential because industrial development had been solely neglected in the colonial regime. New industries in steel, heavy engineering and so on would never have come up in India on the scale they did, but for state initiative. Considerations of interregional and interpersonal equity also made the state to take an active role in directing capital investment as well as flows. As a result, control of stock market issues, such as timing, pricing and volume of the issue became part of the economic agenda of the government. Questions of monopoly power resurfaced during the late seventies due to growth of large industrial houses and this led to the introduction of a monopoly regulation system, with the passing of the Monopolies and Restrictive Trade Practices (MRTP) legislation. Some regions were perceived to be becoming wealthier. These developments led to the evolution of an industrial policy and licensing system. This system tried to divide the cake of industrial growth evenly and equitably between different regions. Contrary to the intention of its originators, however obtaining of licenses became a rent-seeking economic activity by itself, and indirectly led to the creation of monopolies in some cases.

In spite of, or because of all this, export did not grow and the economy had a slow rate of expansion, and periodically foreign exchange crisis erupted. Except for an initial smooth phase, thanks to the sterling balances, which independent India had inherited and which were spent quickly in meeting, a pent up demand for imports, a recurrence of foreign exchange crisis has dominated the Indian economic scene over the years. The government's almost instinctive response to these successive foreign exchange crises fed by pessimism on exports, was the introduction of more restrictions, emphasis on import substitution and severe regulation of foreign investment and exchange outflows. Stricter regulation thus followed each crisis and was accentuated by each recurrence. Import substitution and import compression
became the accepted doctrine. In this, India followed the prevalent economic orthodoxy of many development thinkers, who discounted export-oriented growth. Foreign direct investment involving foreign exchange inflows was also looked upon with suspicion as potentially contributory to large outflows in future. A fear of industrial and financial expansionism, which derived from the Leninist thesis on imperialism as a last stage of capitalism, led to India's looking askance even at foreign direct and portfolio investment. Around this time, planning was becoming fashionable in most of the advanced countries, including the capitalist West. India was one of the early followers of this then respectable mode of economic development. Soon, Indian planning itself became a model for many developing countries. In the initial phase, the over-hang of Keyneianism⁶ led to deficit financing being a prop of Indian public finance and even being counted as a resource for the plan. Deficit financing, in turn, led to the phenomenon of what later came to be known as credit repression, which involved the state pre-empting a substantial part of bank credits in the macro economic system to finance central and state deficits. The development of the country proceeded at the relativity leisurely pace of roughly 3.5 per-cent per annum⁷. In the beginning, however, there was a significant expansion of irrigation. New land was brought into cultivation and agricultural growth, as a result, was significant in the first decade after independence. Thereafter, the spurt in agriculture came as a result of the new agricultural strategy, which emerged, from the first three decades of independence with large industrial base, a significant reservoir of trained scientific manpower, a breakthrough in agriculture and improved living conditions of the bulk of its people. A relatively efficient, but not adequate, infrastructure was developed. Notably, all this had been achieved within a framework of political freedom and democratic values. However, there was dissatisfaction because economic growth had not kept pace with the needs of a growing population. Literacy remained low and backward areas remained outside the reach of modernisation. Although from the time of the third plan India was a pioneer among developing and developed countries in laying specific stress on the eradication of poverty, urban squalor and rural distress continued to mar
the economic scene. When Mrs. Indira Gandhi came back to power in the early eighties, she recognised that business could not go on as usual. An incipient foreign exchange crisis and high inflation were among the serious problems that faced India at that time. Mrs. Indira Gandhi recognised that the unfinished agenda was long and critical. India approached the International Monetary Fund for assistance in 1980.

India's approach to the fund in the eighties was a decisive pre-emptive action, which enabled India to avoid a serious crisis, total collapse and to commence economic liberalisation. Reinforced by substantial reserves obtained from the IMF, a beginning was made to open up the economy. Among the important initiatives was liberalisation of industrial licensing and trade policy. Two committees which were set up - one under, Mr. Narsimham, former Governor of Reserve Bank of India (RBI) and another under Mr. Abid Hussain, Commerce Secretary - considered and recommended the progressive replacement of physical controls by tariffs in the economy as well as the movement of the economic liberalisation of the trade policy regime. Prime Minister Rajiv Gandhi, who came to power in 1984, continued this process of liberalisation. However, the process was hesitant. As a result, fiscal deficit continued to remain high, and the trade deficit was increasing.

In early 1991, the twin deficits - fiscal and balance of payments (the latter brought to a crisis by the explosive developments in the Gulf) started seriously hurting the economy. This crisis, which saw the country teetering at the edge of default, concentrated the mind of government very sharply on economic issues. Experts, inside and outside the government, started focussing on the need to speed up the process of liberalisation, which had been hesitant so far. A number of bold decisions were taken by the Government of India, immediately on assumption of office by Prime-Minister P. V. Narsimha Rao. I propose to deal with certain important institutional implications of this phase of liberalisation in regard to financial sector reform, fiscal stability public sector trade policy changes, social sector and above all, governance.
The reform of the financial sector, which is an important key to a modern economy, is admittedly, difficult in all countries. Financial sector reform has been a sensitive issue even in developed economies. For instance, see the continuing struggle between reformers and advocates of the status quo in the United States of America, United Kingdom and France. Globalisation of the economy makes the task of financial sector reform more critical. As a result of technological changes, movement of funds between countries has become a matter of nanoseconds. Mutual Funds, many of which have almost no national identity, have become commonplace. Gross national flows of funds run into hundreds of billions of dollars, which is far larger than either bilateral or multilateral assistance, and can make or mar national economies.

The focus of financial sector reform in India naturally started with the banks. The government of India appointed a committee under the chairmanship of Mr. M Narasimhan, former Governor of RBI, to recommend various measures for the reform of the financial sector. A substantial part of the recommendations of the committee, including reduction of credit pre-emption by government through the statutory liquidity ratio, has already been implemented. Important amongst the reform measures was the acceptance of international norms for provisioning and for the capital adequacy for banks to make a stable banking system. A tentative beginning has also been made with regard to opening up of the financial sector to private banks. Already, a few banks have been opened by non-governmental entities, such as UTI and ICICI. Eight new private sector banks have been set up during 1995. The Security Exchange Board of India (SEBI) has been strengthened and placed on a statutory basis to act as a regulator to agencies for developing of security market. A National Stock Exchange has been established to handle transactions in stock and shares, utilising modern technological means. Broking houses and makers are being encouraged. The key institutional reform that is needed in this sector, is the modernisation of stock markets and removal of ambiguities in the areas relating to security transaction, to enable transparency and quickness in security deeds. This necessarily requires the movement
towards what is called "scripless" or "paperless" transactions. A beginning has been made in this regard with the opening of NSE.

An important element in the financial sector reform concerns the role of the central bank in the economy. The RBI has acquired a degree of autonomy over the years. While the government of India's stance in this regard is that total independence is not feasible, it stands by autonomy in functioning. Freedom to offer advice in respect of monetary policy, including that of determining interest rates, credit policy and exchange rate management is the crux of an efficient central bank in the Indian context. Conventions have to be evolved by which the central bank's advice is sought in all these important matters. While this has been the stated preference in India, it has to become more real in practice. The latest decision of the government of India to reduce, in a phased manner, government borrowing form the RBI in a period of three years, is a welcome measure—both as a necessary part of fiscal discipline and as a step towards central bank autonomy. This is not, however, sufficient. If we are serious about making the target of reduction of fiscal deficit a binding constraint, which does not need the trigger of a crisis or external leverage, it is desirable to have a statutory limit on the maximum borrowing from all sources by the central government. While this is not sufficient, it is an essential first step for nurturing fiscal prudence.

Monetary targeting has been a part of Indian economic management for the last eight years, since the publication of the Sukhomoy Chakraborti Committee report. The RBI has occupied a central role in monetary reform. Since the IMF programme of 1991, it has gained authority and prestige in this regard. The government has to ensure that the RBI is both equipped and empowered to fulfil this role as the real governor of the monetary policy. Importance of supervision of the financial system came to the fore, following the recommendations of the Narsimhan committee on financial sector reforms that there should be a separate body, the Board for Financial Supervision. This was further emphasised by the events of March-April 1992, when RBI uncovered the fraud and malpractices perpetrated by a few members of the financial community,
leading to an artificial stock market boom involving banks and investors in heavy losses. These events sharply focussed the attention of all on the need to strengthen supervision. The Government of India and RBI have undertaken a number of reforms in this regard. The need for consolidated supervision has been recognised, since many banks have become universal in nature, with functions ranging from investment to portfolio management. Co-ordination with SEBI has been recognised as important.

Financial sector reform has necessarily to involve and include appropriate exchange rate management. A critical decision taken by the government of India in 1992, was the movement towards a market-determined exchange rates. As a first step, in March 1992, the government undertook to introduce a partial convertibility on the basis of market rates, the liberalised exchange rate management system (LERMS) 60 per cent of the foreign exchanges realised by exports were sold at market rates and 40 per cent predetermined official rates. A system of fully market-oriented rates of exchange was introduced in March 1993. Convertibility at present is restricted to current account transactions. It has, however, been noted by observation that in respect of foreign portfolio investors, there are no restrictions for taking out capital, once appropriate capital gains tax is paid. The government's declared intention is to move towards a fuller convertibility once the fiscal deficit gets stabilised. Important to liberalisation, is the need to relax many of the remaining regulations on foreign exchange transactions. These restrictions affect the free flow of transactions, and hence impose an extra cost on foreign trade. A faster push to the removal of foreign exchange restrictions is necessary all the more, in the context of the substantial rise in level of reserves. Foreign portfolio investors have also many residual complaints, which need to be addressed. Chief among these is the clutter of custodial arrangements which are still inadequate, and the remaining risk arising in settlement transactions where transfer of securities and payments are not contemporaneous.

So long as the fiscal deficit remains high, financial sector reform will remain incomplete. One of the problems that India faced during the eighties was a high ratio
of fiscal deficit in relation to GDP. This deficit spilled over into balance of payments also. The first task of the new government under Mr. P. V. Narasimha Rao was to bring down the fiscal deficit. Reduction of fiscal deficit in a developing economy in which welfare measures and demand occupies a good part of expenditure, is not easy. To the credit of the Government of India, this difficult task has been undertaken and the central fiscal deficit has been brought down from 8.4 per cent of GDP to 6.0 per cent in 1991-92 and 5.7 per cent in 1992-93. There has been an unfortunate slip back in respect of this reform in 1993-94, partly due to revenue shortfalls and expenditure overruns.

The key actions in respect of fiscal reform have naturally to focus on the goal of reduction of fiscal deficits. To quote the Ministry of Finance's discussion paper on stabilisation, which pointed out government tightened monetary policies and attempted to reduce government fiscal deficit "rising fiscal deficit (in the 1980's) had created many problems. They had led to high levels of borrowing by the government from the Reserve Bank, with an expansionary impact of money supply leading directly to high rates of inflation. High fiscal deficits contributed directly to the large current account deficits in the balance of payments and thus aggravated the problem of external indebtedness. Large fiscal deficits also pre-empted a significant proportion of the savings of society to support the budget, with a consequent scarcity of funds for productive investment. This was reflected in very high interest rates facing the commercial sector, which discouraged new investment and also reduced our international competitiveness".

In this respect, the main direction of financial reform has to be reduce subsidies since the deficit on revenue account, the difference between the current expenditure and the current receipts, is the basic cause of the problem. While the government of India has undertaken measures to reduce subsidies on fertiliser, exports and food, there seems to be hard residue which is still not being tackled. The total amount of explicit and implicit subsidies in the central budget alone, even after the recent reduction,
comes to nearly Rs 20,000 crores. Fiscal reform in India can make no headway, unless these subsidies are brought down in a conscious measure. Subsidies which are equivalent to negative taxation, resist reduction in view of the large number of beneficiaries. The main political problem in reducing subsidies is that their cost is not easily perceptible to policy-makers at the political level. It is essential that the cost of every subsidy should be brought out explicitly and any enhancement thereof should be provided for mandatorily through a corresponding tax element. For instance, the cost of fertiliser subsidy should be made explicit by imposing a specific surcharge on income tax, customs, excise or all the three, specifically to pay for the subsidy. Populist lobbies will realise the cost of subsidy only when they realise its pain.

The Government of India appointed Dr. Raja Chelliah as the Chairman of the committee to look into the deficiencies of the tax system in India. Dr. Raja Chelliah and his colleagues put forward an innovative reform package, a substantial part of which has already been undertaken by the government. The main thrust of this package, which is to reduce tax rates and remove scope for evasion, aims at improving compliance by improving system efficiency. Customs tariff levels are proposed to be reduced over a period to internationally acceptable levels. Government has already embarked on this reform. Similarly, excise duties will have to come down within a range, which reduces the attractiveness of evasion. Coupled with these is the suggestion to introduce a VAT scheme, both at the centre and at the state-level. A radical restructuring of excise duties attempted in the budget for 1994-95, introducing modvat, for many goods earlier excluded from modvat, is significant.

Fiscal reform, perhaps, one of the most important aspects of liberalisation, is not proceeding as fast as it should, because of vested interests created by the earlier regime of high import duties and excises. Simultaneously with the reduction of tariffs, trade reform also has to be completed.

While import policy has been considered to be liberalised in the recent budget, there still remains scope for further elimination of import restrictions. Considering the
high level of reserves, bolder steps to eliminate these restrictions are now warranted. The time phasing of the programme which has been announced by the government, would ensure that once the measures envisaged for 1995-96 are implemented, India's tariffs would decline to levels, close to those now prevailing in other developing countries in a relatively short period of four or five years. This would be remarkable achievement, considering that India began to reduce tariffs much later than other developing countries, started from a much higher level and most importantly, the share of tariffs in government revenues was much higher than other countries.

With the adoption of the policy of economic reforms, a searching 3rd look at the public sector became inevitable. The new strategy essentially involved refocusing not curtailing state activity and channelising resources and effort in high priority areas. This crucial shift in priority needs to be viewed in the backdrop of not merely the trends of liberalisation and globalisation but the performance of the public sector itself. Of the 236 operating Public Sectors Undertaking (PSUs) in 1990-91, on the eve of economic reforms, only 123 were profit making. The top 20 profit making PSUs accounted for 80% of the profits, implying that less than 10% of the PSUs were responsible for 80% of the profits. Of the loss making PSUs as many as 40 of them were earlier in the private sector and were taken over by the government to protect interests of the labour, and these accounted for nearly 60% of the losses suffered by the public sector. The return on public sector investment for the year 1991-92 was just over 2%. Further, the share of the public sector in the net capital stock (1992) was 46.2% and its share in the gross value added (1990-93) was just 26.8%. Yet another study indicates that while the public sector accounted for 55% of the total investment, it contributes only 15% of the output. It has also been estimated that of the 2.2 million employees in the public sector, nearly 25% of them were surplus. Thus, the principal charges against the public sector were: low rate of return on investment, declining contribution to national saving, poor capacity utilisation, overstaffing and bureaucratisation leading to excessive delays and wastage of scarce resources. Under
The NEP, refocusing of public expenditure has involved selective disinvestment in public sector industries. The goal of privatisation is to ensure a better and more effective use of capital and greater investment in the social sector on the one hand and to enhance the efficiency of public enterprises and help them integrate into a competitive environment of the other.

An assessment of the strategies adopted by successive governments after 1991 to initiate and carry forward the process of reforms in the public sectors indicates three critical dimensions involved in the process:

a) inter-sectoral dimension

b) efficiency dimension, and

c) fiscal dimension.

The intersectoral dimension of public sector reforms implies: the wider implications of these reforms on the financial sector on the one hand and the impact of the monetary and regulatory mechanism that have developed in the fiscal sector on disinvestment in the public sector, on the other, the multi-track impact and influence of public sector disinvestment also needs to be taken into account. The efficiency dimension implies the stress on better and more professional management of public enterprises as one of the goals of disinvestment. The fiscal dimension involves disinvestment in order to garner resources to bridge the budget deficit. All the three dimensions have influenced the disinvestment strategy of the government, with varying degrees of assertiveness. Issues relating to disinvestment revolve around three principle questions - why, how, and how much. The stress on disinvestment, as against privatisation is significant. Privatisation (as a process) aims at shrinking the role of the state in economic activities. Disinvestment on the other hand, has a much wider connotation as it could either involve dilution of government stake to a level that result in a transfer of management or could also be limited to such levels as would permit government to retain control over the organisation. Disinvestment beyond 50%
involves transfer of management whereas disinvestment below 50% would result in the government continuing to have a major say in the undertaking.

During the first five years of economic liberalisation (1991-96), the government sold shares of 45 selected enterprises (maximum of 20% in each) to mutual funds and investment institution in the public sector. Interestingly, the shares off loaded by the government continued to remain under its (government's) administrative control and did not strictly involve privatisation. During 1991-92, disinvestment yielded revenue of Rs. 30.38 billion. In the next year, though the budget projected Rs. 25 billion as the estimated earning from disinvestment, the actual figures were much lower Rs. 19.61 billion, for 1993-94, the budget made a provision for Rs. 35 billion from disinvestment. The actual earning from disinvestment were merely Rs. 18.66 billion. The government held unfavourable market conditions as the main reason responsible for this downward trend. In 1994-95, Rs. 50.78 billion was realised through disinvestment and in 1995-96, the disinvestment earning plummeted to Rs. 3.62 billion.

A few distinct trends can be discerned in the first five years of public sector reform. The spotlight of attention was very clearly on the process of disinvestment. The government had categorically stated that the funds available for disinvestment would be used for infrastructure development, upgrading technology in the public sector and investing in the social sector. In reality, much of the government earning through disinvestment was used to bridge the budget deficit of the Rs. 199 billion earned, between 1991 and 1995 through disinvestment over Rs. 73 billion was used to bridge the deficit. Many did argue that if resources raised through disinvestment were utilised for retiring past debts it would result in the reduction of the interest burden of the government. However, the impression did gain ground that all efforts at public sector disinvestment has as their aim, the reduction of the budget deficit and not the improving of the efficiency of these undertakings or reinvesting the funds so realised.
in the social sector. Political expediency and not sound economic management appeared to guide the disinvestment policy of the government.

The period 1996 to 1998 witnessed frequent changes in government at the federal level and its impact on the economic reforms process in general and public sector reform in particular was clearly apparent. Though the budget for 1996-97 estimated that Rs. 50 billion would be raised through disinvestment, the amount actually realised was merely Rs. 4.55 billion. For 1997-98, while the budget projected Rs. 48 billion as the revenue to be raised through disinvestment, only Rs. 9.12 billion was realised. However, the government during this period- the two coalition governments - in the main initiated three major steps which were expected to have a long-term impact on public sector reform. Firstly, in August 1996, a Disinvestment Commission (DC) was constituted to advise the government on its long-term disinvestment policy and determine the extent of disinvestment in PSUs referred to it by the government. Secondly, in 1997, the government appointed a committee to review the guidelines of the Bureau of Public Enterprises in the light of the new economic policy. Thirdly, the government proposed an, ‘autonomy package’ for the select PSUs. The Disinvestment Commission (DC) suggested a three pronged strategy: either disinvest on as is where is basis or restructure and make them financially viable before disinvestment or close non-viable units. For protecting the interests of labour, the DC suggested retaining, re-deployment, an attractive Voluntary Retirement Scheme (VRS) and the creation of a disinvestment fund. The DC also laid down clear guidelines for the classification of PSUs into three categories: strategic, core and non-core. Strategic units in would be those in the critical defence and security related areas. It was against disinvestment in this sector. Core units would be those which were capital/technology intensive and where entry of the private sector may result in an oligopolistic market structure. The DC was of the view that in such units disinvestment to the tune of 49% would be appropriate but stressed on the need for effective regulatory mechanisms. The DC favoured 74% disinvestment
in non-core PSUs as, the withdrawal of the government from the sector they were involved in would have no adverse impact. The committee appointed by the government to review the guidelines for public enterprises suggested in its Report, that 762 of the 892 guidelines had become redundant and needed to be scrapped. Acting on the committee's recommendations, the government scrapped 696 of these guidelines. The autonomy package for select public enterprises proposed by the government was also seen as a positive step towards meaningful public sector reforms. However, the Government, which initiated this, proposal-collapsed before the scheme could be fully worked out and implemented.

With the coming to power of the present government in 1998, it was decided to constitute a Cabinet Committee on Disinvestment to speedily clear disinvestment proposals. The 1998-99 budget made a special provision for a 'liberal severance package' for workers of unrevivable public sector units, whose accumulated losses had completely eroded the units net worth. Eighty-four PSUs fell in this category and they employed 5.89 lakh workers. A linked development was the fact that as on 31st May 1998, 2.48 lakh public sector unit worker had opted for the Voluntary Retirement Scheme (VRS). To implement the VRS, the government had created the National Renewal Fund (NRF) to act as an effective Social Safety net. The government also decided to initiate Steps to sell 74% of its equity in all non-strategic PSUs. The government also brought forward a proposal listed, Privatisation, A fast track strategy, in which it visualised the creation of a national shareholding trust, called the Special Purpose Vehicle (SPU) whose objective would be to hold and sell non-strategic PSUs equity until government ownership came down to 49% in each public sector enterprise.

In its 1999-2000 budget Proposals, the government clearly stated that its strategy towards the public sector would, encompass a judicious mix of strengthening strategic units, privatising non-strategic ones through gradual disinvestment or strategic sale and devising viable rehabilitation strategies for weak units. The
government also announced that it would explore the possibility of extending the Voluntary Retirement Scheme (VRS) which was now largely restricted to employees of loss making PSUs to those working in profit making public sector units. As many profit making PSUs needed 'to reduce manpower to remain viable', the government announced that it would encourage such enterprises to 'raise money from banks against government guarantees'.

Whatever limited progress has been achieved in initiating public sector reforms has largely been linked to the process of disinvestment. Here too, the goal has fallen short of expectation and the disinvestment strategy has itself been bogged down by controversies. The impression has increasingly gained ground that the disinvestment process was primarily aimed at rescuing the government from the fiscal crisis it faced and the disinvestment procedure adopted has also been criticised. Efforts to disperse public sector share holding as widely as possible have not produced encouraging results. Public sector reform also needs to be viewed independent of the process of disinvestment. The 1991 economic reform package has specifically stated that the board of PSUs 'created a somewhat unequal playing field (for the PSUs) in an increasingly competitive environment'. Further, the reform package also held out a promise that a revival / rehabilitation scheme for sick PSUs would be formulated. Little progress was achieved on both fronts.

It is relevant to note in this regard that a Parliamentary Committee on Public Undertaking observed in its report that the performance of several PSUs had worsened after economic reforms as they were not equipped to face the challenges of economic liberalisation. The Committee of Disinvestment (1993) favoured meaningful delegation of powers to PSUs in order to create the right environment for ensuring creativity and the capacity to take calculated risks. The Disinvestment Commission also put forward a range of proposals to enhance the autonomy of PSUs and promote corporate governance. It suggested that the Board of Directors of the concerned PSUs take all strategies and important decision concerning PSUs. The government role
should be limited to the issue of written directions concerning broad policy matters. It also favoured a minimum level of delegation of power to all PSUs. The Disinvestment Committee suggested that stronger performers be accorded the highest degree of autonomy and the medium performers too be granted autonomy, though less than strong performers in order to induce them to do better. On the question of the composition of the Board of Directors of PSUs, the Disinvestment Committee opined the experts and professionals from outside the government should also be inducted. In the context of disinvestment, the Disinvestment Committee felt that even if the government was the largest shareholder, representatives of minority shareholders must be elected to the board.

The Disinvestment Committee recommended that the Chief Executive Officers (CEOs) of PSUs be appointed for a fixed term and the recommendations of the Public Enterprise Selection Board (PSEB) should, as a rule, be accepted by the concerned Ministry, without having to go to the Appointment Committee of the Cabinet. Though the government accepted these recommendations and came up with the autonomy package for Navaratras and MiniRatnas. It has largely remained unimplemented or ineffective and PSUs continue to be plagued by tight controls. Commenting on the attitude of the public sector management, a member of the Disinvestment Committee opined that ‘they are all for autonomy without accountability’.

Strategies for public sector reform have also focussed on the need to reduce the financial burden on PSUs caused by the employment of surplus staff. In the pre-liberalisation period, PSUs were often viewed as employment generation agencies resulting in many PSUs being forced to appoint staff (even when not required) on account of political interference. A linked development was the decision of the government (prior to economic reforms) to take decision of the government to take over sick private industrial units in order to protect the interest of the work force. As stated earlier, these units account for nearly 60% of the losses suffered by the public
sector. Studies have also drawn attention to the low level of motivation and efficiency in PSUs and the near absence of a meaningful system of accountability. As workers in the PSUs are accustomed to government protection, they appear to be simply not ready for the hard work that the market demands. Still opposition to public sector disinvestment especially when the interests of labour are involved has come from the extremely powerful and vocal trade unions.

The National Renewal Fund (NRF) which was created in 1992 has been used as a safety net to fund the Voluntary Retirement Scheme (VRS). According to reports, on 31st May 1998, 2.48 lakh PSUs workers had opted for the retirement under the scheme. The 1999-2000 budget had made a provision for profit making PSUs raising money from banks against government guarantees and interest subsidy to fund the VRS scheme.

A few trends with regard to the VRS need to be assessed. Firstly, it has been contended that those employees, who saw opportunities opening up in the private sector in the post liberalisation period, have exercised the VRS option. The 'deadwood' in the PSUs saw no benefit from the scheme. The consequences were that some of the most motivated and efficient staff in the public sector made the best of the opportunity and moved to the private sector. The PSUs were left with employees whose motivation level and performance record was extremely low. Besides, as part of the VRS package, no effort was made to retain employees to equip them with skills necessary to gain reemployment or self-employment. The Disinvestment Commission and the Parliamentary Standing Committee on Industry have both drawn the attention of the government to this fact. Further, the nature of the work force in the public sector needs to be taken into account. It is estimated that for every 2.5 skilled workers in the PSUs there is one unskilled worker. The high percentage of unskilled workers in the labour force has important implications for success of any VRS package.

The 1991 economic reform programme being carried out by the Government of India is basically a shift from central planning to a market driven economy.
reform programme does involve a more away from the centralised allocation of resources on some key sectors by government to allocation by market forces. In a large measure however, the reform involves removing distortions in the market that were already functioning or removing controls which had driven market forces underground. In fact a basic feature of the economic reform programme is the open recognition that many control were in fact not working and that others were distorting allocation rather than improving the performance of a free market.

National development can take place only if the growth rate of the economy sufficiently exceeds the growth rate of population. Thus if India grows at 6 to 7 per cent per annum, prosperity would definitely percolate down to the masses with the concomitant increase in the employment.

The rational and the basic ingredients of the economic reform programmes cannot in any sense be said to adversely affect the poor and the needy.

As the reform is carried out some protected groups will lose. For example large farmers thriving on subsidies as fertiliser, water and electricity and some industrial units will have to give place to new ones. The vast majority of people stand to gain in the medium and long term. Indeed the whole objective of the reform programme is to accelerate the rate growth of the economy as a means to make India strong and to abolish poverty. Another notable feature is that with the higher growth rate generated by the reform the strengthening of the social sector programmes will also take place.

With rapid economic growth it can not be denied that investment in education, health, family planning, women and children will increase. Better facilities and services can provided. The sea of humanity that lives in abject poverty in this country can only be uplifted by more investment and improvement in social sector and this is what the economic reforms aim at.

Socio-economic development of a country related to its human resource development, and education is the most important instrument for human resource
development. Lack of education implies lack of awareness and inability to assimilate information even if one has access to it. In a technologically and professionally advancing society, lack of education means not only reduction in the gross national productivity but also high probability of increased population growth ratio.

India has made remarkable progress in several human development indicators, particularly the indicators of health and of higher education. But unfortunately, its achievement in eradicating illiteracy and in primary level school education continues to be poor. Literacy creates motivation and awareness, which results in acquisition of skills necessary for development. Literacy provides a certain competence to the youth required for the productive participation in nation building. Literacy becomes the key to entire development effort.

The development of women and children constitutes an essential component in a country's total human resource development effort. There is a need to develop and protect these two vulnerable sections of the society. Today women's development and particularly education has assumed special significance. Despite widespread illiteracy and ignorance, women in recent years have gradually become conscious of the need for liberating themselves form supression and economic dependence. A large number of women in different parts of the country are making significant moves for empowerment. These are, however, sporadic and inconsequential for these affect only a marginal section of the women.

By and large it is to be find women's access to education restrained by factors like early marriage, social ridicule and poverty. In view of the social and cultural handicaps that have operated against women's education, the need for adopting a set of objectives specific to women's education is imperative. There is an urgent need to eliminate illiteracy and measures have to be adopted for the retention of girls in schools. Substantial vocationalisation and diversification is needed so as to enhance the economic opportunities for the women. There is also a need to promote access to professional courses for women. Universalisation of elementary education (UEE),
adult education and development, vocationalisation of school education, consolidation of higher education, modernisation of technical education, empowerment of quality content and process of education at all levels continue to be themes of national endeavour in the field of education. The focus in the elementary any education has now shifted from enrolment per se to retention and achievement. The revised policy ensures that free and compulsory education of satisfactory quality is provided to all children up to fourteen years of age.

The pressure of population in our country makes the task of socio-economic and technological development more difficult. There is no doubt that yearly population stabilisation is not possible without raising the status of women through a combined strategy of providing better economic opportunities and education. An increase in literacy and educational status of women will have positive effect on population control, maternal morbidity, infant mortality, health care, nutrition, sanitation and hygiene.

Mass illiteracy and lack of health education may be traced as true problem which stand at the grass root of all development especially that of rural population. Not merely poverty but ignorance is perhaps an important factor underlying poverty and malnutrition in our country. To improve the health status of the people especially in the rural areas, it is essential that women should have sound nutrition knowledge and dietary practices. The integrated Nutrition Programme for Child Development is a step towards solving malnutrition among children. India reaffirmed its commitment to the cause of children in keeping with the pledges of the world summit for children to which it is a signatory, by drawing up for implementation a decadal National Plan of Action for Children. This plan identifies quantifiable target to be achieved by 2000 AD in the sphere of child health, nutrition, education and related areas. The children who are the future of this country need special care and attention and their development is top most on our agenda.
Women and children in the rural areas continue to suffer much more. Lack of resources and shortage of service centres have added to their problem. At times even basic medical attention is a distant dream. Women lack employment and in the rural areas only agriculture and allied areas are the target sector for women's employment. In case of both agriculture and animal husbandry, development strategies have provided very little attention to women in comparison to their active involvement in both the sectors. Women's role has not been adequately recognised in agriculture development, land reform or rural industrialisation. Special schemes have been initiated for the uplift of women in the rural areas. The introduction of the DWACRA (Development of Women and Children in the Rural Areas) was a milestone in the uplift of the rural population. The programme aimed at streamlining the response of the state governments to integrating women into anti poverty programmes. Such approach can be continued until women acquire sufficient power to articulate their needs and demands and until such time as women concerns get to be internalised in the planning and administrative structures.

In the economic sphere and particularly in the rural sector the empowerment of women relates mainly to their access to means of production and control over the fruits of their labour. In implementation of the reform measures, potential women beneficiaries should be associated. Empowerment of women can take place only when they come to realise their potentialities. The recent Constitutional amendment making Panchayati Raj and Municipal Bodies a constitutional entity has provided a great opportunity for the women to be a part of the development process. Nearly 33 percent of the seats by direct elections have been reserved in favour of women. Today thousands of women have come to occupy important positions in these local bodies. With such a large representation of women in these bodies their role in decision making process is going to be much more affirmative. They would no more be passive participants in the development process. Now they have the opportunity to plan and implement schemes that helps in their uplift. The institutional and administrative
mechanism to reap the benefits of the new economic policies has been strengthened and no doubt the process of change will be visible very soon.

Today due to our economic policies, the world is looking up at us. Major investments are taking place in India and as reforms roll, the benefits are going to be shared by all sections of the society. The demand for new and trained manpower will enhance educational opportunities, which in return will lead to a greater investment in education. Health and family welfare will follow and more investment will take place. Technological advancement as a result of liberalised economy is going to play a major role in improving the health status of the people and particularly of the women and children. India is on the move and is getting ready to wage a major war against poverty, unemployment and exploitation.

The need for education is well appreciated, emphasised with and greatly understood. One needs to delve into the importance of utility of education as well as on its sociological and psychological impact. Education has an impact on the individual and society at large thereby contributing to the nation as a whole.

India has traditionally been a learned society wherein women too were active participants in all forms of social interaction including political participation. However, for various reasons cultural, political etc., over the years our cultural heritage in terms of education particularly women's education has been greatly eroded. We need to give a boost to women's education. It is widely expected and understood that a family with a literate women is distinctly above that of the uneducated women, purely in terms of the quality of life; not to delineate different indicators like awareness, emancipation, personal and social hygiene, upgradation of skill, child care etc. It is proved that family welfare is directly related to women's literacy.

There are examples that despite high economic development it has been proved that education has no direct relationship to economic well being. Quality of life as a
whole is what we all strive to achieve and it is only through education that this goal can be achieved.

Education for women is particularly necessary because by educating them and arming them with vocational and other skills we are directly making 50% of the population economically productive. This is not to undermine vast human resource potential and the related contribution that women make to society in their invisible manner.

Education and literacy shall be dealt as two entities. Firstly, literacy is directly seen as an instrument to gainful employment and as such, related to poverty alleviation. In the light of economic policy and the reforms, upgradation of skills vocational, traditional, technical and professional is needed. Being literate means being knowledgeable. By being literate a person has the capacity to assimilate and use information. Therefore, the entire essences of the literacy campaign is to make a person self-reliant. Secondly, literacy per-se is to be viewed as a welfare component, or as social commitment to a society. With education a person increases his level of awareness about his rights and becomes more assertive. She is aware of the duties, obligations and is confident of her existence as a respectable individual. Promotion of self-esteem is what education does. This is social component of empowerment.

The view has to be fully enclosed that education/literacy reflect multifaced development of a society and henceforth.

Universalisation of elementary education should be everybody’s concern. There are number of government schemes for universalisation of elementary education but the said objective has not been achieved. The reasons are many, one of them is lack of potential will. Though our country is committed to achieve the goal of 'health for all' by the year 2000 AD, the health problems being faced by the people are highly complex and challenging. On the one side people have been struggling to combat communicable diseases like T. B., leprosy and malaria and on the other side people
have to cope with the challenges of post-transitional diseases like cataract induced blindness, diabetes, cancer and cardio-vascular diseases. The recent out-break of plague in some parts of the country and threat of new diseases like AIDS have further complicated the health scenario.

Though the health problems have been identified for priority attention and efforts made for maternal and child care services since the beginning of planned development, much remains to be done to improve the health of women and children both in qualitative and quantitative terms. There is need for a comprehensive integrated approach towards issues related to health, if there is to be a significant impact on the condition of the people.

It is the responsibility of the health organisation in the country to deliver the family welfare programmes. Economic liberalisation is very closely related to family welfare, as increase in population will nullify the effects of economic reforms. The problem with family welfare has been that we have tried to thrust the programme on the people without preparing them in terms of literacy, social status and change in their attitudes. The role of NGOs has been marginal except in selected pockets.

The institution at the grass-roots level are meant to cater both to the preventive and curative aspects of human health as well as carry on immunisation and family welfare programmes. The Alma-Ala declaration which set the Agenda for the World Health Organisation and its member states, defines primary health care as "essential health care based on practical, scientifically sound and socially acceptable methods and technology made universally accessible to individuals and families through their full participation and at the cost, that the community and the country can afford".

If one were to take stock of the achievement made in this area, a very disappointing dismal picture would emerge. People have allowed the health agenda to be dictated to the villagers and have, therefore, envisaged only a second rate primary health care system and remain satisfied by providing the services of an ANM at the
village level and cry hoarse that people have achieved health for all. This obviously is not enough for a developing country like ours. However, with the liberalisation of economic policies, a new and more ambitious primary health care policy needs to be adopted.

There has been a lack of commitment to invest in the health sector, which can be seen from the outlays earmarked for this sector over the successive plan period. Even with the sector urban health has gobbled up most of the available funds. Above all almost 80% of the allocations have gone into building institution of postgraduate studies and other institutions of higher learning. It should come as no surprise, therefore that people have not been able to put an effective check on our population and improve the health status of our citizens. This distortion investment has naturally led to a pronounced accent on the curative rather than the preventive aspect of public health. This has also resulted in an utter neglect of the traditional systems of medicine which otherwise could have supplemented the efforts made to raise the health status of the society particularly the more vulnerable sections.

In reality the Economic Liberalisation policy initiated in 1991 were crisis-driven. The crisis in the balance of payments and mounting fiscal deficits (both at the level of the Central and State Governments) promoted the congress-led Government under the stewardship of Mr. P. V. Narsimha Rao to initiate economic reforms.

During the post-economic reforms (1991-97), India has made some significant achievement in economic growth, industrial production especially capitalist agriculture. It is found that growth rates in some of the key sectors of the economy such as gross national product, per capita income, agriculture and allied activities, and domestic savings from corporate sector have risen in post-reform period. In external sector, also there is significant improvement in the post-reform period. The reforms introduced in 1991 have resulted in relativity impressive growth in 'materialistic development'. For instance, for the first time after independence, our GDP growth rose to 6% and the rate of industrial growth witnessed spectacular rate of growth to the
extent of 12.2%. Further, it got rid of 'over regulation'. In all, the focus of reforms of the first decade, both in terms of policy and popular perception has been on industry. Another corollary development of reforms has been the inflow of Foreign Direct Investment (FDI) in substantial quantity. Opening up of our economy to the foreign investment has been praised by investors and they say that it neatly fits in with our policy. Therefore, it is imperative that government have to continue them. Further, the reforms have not at all improved human conditions. For example, agricultural productivity, water management, soil conservation, ecological balances, protection of environment and problem of de-forestation. The allocation for education and health, both in public and private sector during initial economic reform period was adversely affected, from the view point of promotion of 'human face of development' and this also makes a strong case for their continuation. 'Human face of development', is considered as 'social liberalisation', which is yet to take place in the new millennium.

It is the opinion that latter economic reforms have to give top priority to 'this sort of development' for two reasons. Firstly people have emphasise on it for people have neglected it hitherto. Secondly, unless it takes place, 'economic liberalisation' will not be sustained. That is why, A. K. Sen is sounding logical in his statement: "even well functioning markets (i.e. economic liberalisation) can't take care of problems posed by the shortfall in 'human capabilities'. These are caused by inadequate basic education, a low level of health services, poor ownership partners, skewed social satisfaction and gaping gender inequalities."

For the purpose of human face development, the former Finance Minister Yashwant Sinha in his budget speech 2000-01 stated very clearly that National Democratic Alliance (NDA) Government intends to carry forward the process of implementation of 2nd phase economic reforms. Elaborating on the philosophy of 2nd phase reforms he stated: "Growth is not just an end in itself. It is the critical vehicle for increasing employment and raising the living standards of our people, especially of the poorest. Sustained, broad-based growth, combined with all our programmes for
accelerating rural development, building roads, promoting housing, boosting knowledge-based industries and enhancing the quality of human resources will impart a strong impetus to employment extension. There can be no better cure for poverty than this in our country.

For implementation, the Finance Minister laid down the following objectives:

(i) Strengthen the foundations of growth of our rural economy, especially agriculture and allied activities.

(ii) Establishment of Knowledge-based industries such as infotech, biotechnology and pharmaceuticals.

(iii) Strengthen and modernise traditional industries such as textiles, leather, agro-processing and the SSI sector.

(iv) Mount a sustained attack on infrastructure bottleneck in power, roads, ports, telecom, railways and airways.

(v) Accord the highest priority to human resource development and other social programmes and policies in education, health and other social services, with special emphasis on the poorest and the weakest sections of society.

(vi) Strengthen our role in the world economy through rapid growth of exports, higher foreign investment and prudent external debt management.

(vii) Establish a credible framework of fiscal discipline, without which other elements of our strategy can fall.

Evidence available about population below the poverty line underlines the stark reality that the reform process did not help to reduce poverty. Dr. S. P. Gupta, member, Planning Commission has underlined the inverse relation between poverty and GDP growth by pointing out that population below the poverty line, which was 35.07 percent in 1993-94 increased to 37.23 per cent in 1997. This is a period when
GDP growth rate is around 6.9 per cent per annum the highest over witnessed consecutively for four years in India. Similar evidence has been provided by Dr. Gourav Datt of World Bank who has underlined the slowdown in poverty reduction during the reform period. He has highlighted the fact that while the urban sector appears to have continued its trajectory of growth and poverty reduction through the 1990's, rural poverty reduction was choked-off by lack of rural growth.

The World Development Report (2000-2001) has qualified that in India, in 1997(using $1 per day as the measure for International Poverty Line), 44.2 per cent of the population was living below the poverty line. This implies that 419 million persons are living in extreme poverty in India. Since the World Development Report has estimated that 1,199 million were living in poverty in the world, the share of India in the World's total poor works out to be 34.95 per cent- a very grim scenario indeed.

2nd phase economic reforms should spell out a clear strategy for poverty reduction. There are three facets of poverty:

(i) Removing income poverty by enhancing opportunity.

(ii) Facilitating empowerment of the poor.

(iii) To provide security to overcome risks due to ill health, economic shocks due to natural disasters and violence.

World Development Report (1990) evolved a two-pronged strategy for poverty reduction: "Countries that have been most successful in attacking poverty have encouraged a pattern of growth that makes efficient use of labour and have invested in human capital for the poor. Both elements are essential. The first provide the poor with opportunities to use their most abundant asset-labour. The second improves their immediate well being and increases their capacity to take advantage of the newly created possibilities. Together, they can improve the lives of most of the world's poor". The excessive pre-occupation with GDP growth witnessed in the 50s and 60s was
replaced with human development approach. Human beings are not only instruments of production, but are also ends in human development. Investment in human beings by providing education, skill and better health improved their capabilities to contribute more to the process of GDP growth. Even the provision of adequate food by cutting down-under-nutrition and malnutrition also helped to raise productivity. In this context the need for shelter was also considered as a basic input to improve the capacity of human beings to raise their life expectancy and also their lifetime earning. Thus, emerged the concept of basic minimum services. The Approach Paper of the Ninth Plan, therefore, included the concept of basic minimum services in its overall objective of "Growth with Social Justice and Equity". Basic Minimum Services included universal primary education, primary health care, safe drinking water and shelter for all. For this purpose, the concept of social sector became important and the state was expected to direct its expenditure (both plan and non-plan) on social sector (education, health and family welfare, water supply, sanitation, housing, rural development, social welfare, nutrition and minimum basic services). It would be of interest to understand as to how the expenditure on social services has changed in the post-reform period vis-à-vis the pre-reform period so as to examine the need for making correction in the 2nd phase economic reform.

By the year 1981, educational expenditure had risen to a level of 3.0 per cent of GDP as against 0.68 per cent in 1951 and 2.47 per cent in 1971. During 1981 to 1991, a gradual increase in educational expenditure was witnessed and it reached a peak level of 4.39 per cent of GDP in 1990. Thereafter, this percentage has shown a gradual decline from 4.39 per cent in 1990 to 3.76 per cent in 1994 and further to 3.62 per cent in 1997. This indicates a lower priority given to education in the post-reform period (1991-97) as compared with the pre-reform (1981-90), despite the fact that the government has been pro-claiming that it intends to increase it to 6 per cent of GDP.

Dr. V. R. Panchamukhi has calculated the average annual growth rate of per pupil expenditure in education in the pre-reform and post reform period. Information
indicates that there has been a serious deterioration in per-pupil expenditure in education in all sectors of education. In the sphere of elementary education, the annual average growth rate of expenditure slumped from 6.9 per cent during 1985-90 to merely 1.2 per cent during 1990-96. In secondary education, there was zero growth rate of per pupil expenditure and in university education, this growth rate became negative to the extent of 4.4 per cent in the post-reform period.

A review of expenditure on education in the pre-reform and post-reform period reveals that:

(i) Instead of educational expenditure moving towards the target of 6 per cent of GDP, in the post-reform period (1991-97), it declared to 3.62 per cent

(ii) Per pupil expenditure at all levels, more especially at the elementary education level, has shown serious deterioration in the average annual growth rates.

These are unhealthy trends, more especially in view of the fact, quite a significant proportion of the children belonging to the middle, upper middle and affluent sections are going in for enrolment in public schools. Since the state is not required to make any expenditure for their education at the elementary level it could divert the amount thus saved in providing elementary education to these sections of the population to improve facilities in state-run schools. But alas! This does not seem to be happening.

Study reveals that investment in health which accounted for 3.33 per cent of total plan outlay in the first plan declined to 1.93 per cent in the Fifth Plan and further declined to 1.69 per cent in the Seventh Plan and improved marginally to 1.97 per cent in the Eighth Plan. As against it, investment in family planning, euphemistically described as family welfare, improved from 0.11 per cent in the second plan to 1.76 per cent in the Fourth Plan and then declined to 1.27 per cent in the Sixth Plan. it subsequently picked up 1.43 per cent and 1.45 per cent in the Seventh and the Eighth
Plan respectively. This implies that the family planning effort was strengthened at the cost of expenditure on public health.

**TABLE-1**

**Percentage of Budget Allocation for Education.**

<table>
<thead>
<tr>
<th>Financial year</th>
<th>Total plan outlay (Rs. In Crores)</th>
<th>Expenditure on Education</th>
<th>% of plan layout</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-93</td>
<td>72,852.4</td>
<td>2,619.4</td>
<td>3.6</td>
</tr>
<tr>
<td>1993-94</td>
<td>88,080.7</td>
<td>3,147.3</td>
<td>3.6</td>
</tr>
<tr>
<td>1994-95</td>
<td>98,167.3</td>
<td>3,940.0</td>
<td>4.0</td>
</tr>
<tr>
<td>1995-96</td>
<td>107,380.4</td>
<td>5,355.7</td>
<td>4.9</td>
</tr>
<tr>
<td>1996-97</td>
<td>129,188.6</td>
<td>7,346.1</td>
<td>5.7</td>
</tr>
<tr>
<td>1997-98</td>
<td>139,625.9</td>
<td>8,208.2</td>
<td>5.8</td>
</tr>
</tbody>
</table>

*Source: Economic Survey (1998-99), Ministry of Finance GOI.*

If health and family welfare are taken together as a group, investment in them was of the order of 3.34 per cent in the First Plan, it declined to 3.12 per cent in the Second Plan to improve to 3.89 per cent in the Fourth Plan. Therefore, there is practically a stability observed around 3.1-3.2 per cent of the total plan outlay in the Fifth, Sixth and Seventh Plans. In the Eighth Plan, this picked up to 3.42 per cent.

The trend of investment in various plans highlights, that sufficient attention was not paid to health and family welfare and it is very regrettable that family planning was promoted at the cost of public health. Safe drinking water is very essential for
human life. It helps as preventive measures against a number of water borne diseases. In this sense, it can be treated as a measure for promoting public health. Sanitation helps to improve environment climate and this helps to prevent the incidence of several diseases, besides providing a better quality of life. A study of public expenditure incurred on water supply and sanitation reveals that this was as low as 0.56 per cent of plan outlay during the First Plan and increased to 2.77 per cent during the Fifth Plan, to rise further to 3.64 per cent in the Sixth Plan and to peak to a traved of 3.85 per cent of plan outlay in the Eighth Plan. As a consequence of massive public investment made in the water supply and sanitation, 92.5 per cent of the rural and 90.2 per cent of urban population has been covered with drinking water supply in 1998. But in sanitation facilities, much remains to be accomplished, since 49.3 per cent of the urban population and barely 5.1 percent of the rural population has been provided sanitation facilities.

If health, family welfare, water supply and sanitation are taken together as measures to improve the quality of health of the population, then total public expenditure incurred on them was of the order of 4.33 per cent of plan outlay during the First Plan, it was gradually raised to as level of 5.95 percent of plan outlay during the fifth plan and has further been improved to 7.1 percent of plan outlay during the Eighth Plan. As indicated earlier, increase in family welfare expenditure has been made at the cost of public health expenditure. There is an urgent need to improve the expenditure on public health services further.

UNDP, Human Development Report (1999) and (2000) has provided comparative data about expenditure on public health. HDR covers in Public expenditure on health, all recurrent and capital spending from central and local Government budgets, external borrowings and grants (including donations from international agencies and non-Governmental organisations) and Social health insurance funds.
Study indicates that India spend 0.6 percent of GDP on health during 1996-98, whereas in developing countries like Malaysia and Sri Lanka, this percentage was 1.3 percent and 1.4 percent respectively. As against this, in high income countries, percentage of GDP spent on public health averaged 6.4 percent of GDP during 1996-98. India seems to be way behind high income countries in providing public health services. Even in developing countries, the public health expenditure averaged 2.2 percent of GDP. Thus, India has also to catch up with even some of the better performers among developing countries.

In this connection, it may be pointed out that the supply of information by the Minister of Health to UNDP is extremely unsatisfactory. Our apprehension is that UNDP Human Development Report has been provided data only about central Government expenditure on public health and it has not included the expenditure incurred by State Governments. Moreover, sanitation facilities should also be included as measure of public health. If the Government undertakes a reorganisation of the data to be sent to UNDP, the picture of expenditure on public health in international documents like HDR would not appear to be so dismal. As per our estimate, the expenditure on public health would be in the range of 2.2 to 2.4 percent of GDP.

Provision of shelter is another major component of the social sector. The census of 1991 estimated the housing shortage at 18.5 million dwelling units - 13.7 million for the rural areas and 4.8 million for the urban areas. The proportion of households living in Pucca houses was 41.6 percent, those living in semi-pucca houses was 30.9 percent and in kutcha houses was 27.4 percent.

The Ninth Five Year Plan has stated that as per 1991 census, the total rural household shortage was 13.72 million. Of these, 3.41 million were without shelter and 10.31 million were living in 'Kutcha unserviceable' houses. In addition, an estimated 10.75 million houses would be required on account of population growth during the period 1991-2002. It has also been estimated that 5.7 million units have been added to rural housing through the ongoing programmes of Indira Awas Yojana (IAY)
Government, HUDCO and self help systems. The net housing shortage between 1997 and 2002 in 18.77 million of which 8.46 million are new houses and 10.31 million are kutcha unserviceable houses.

The overall housing shortage, however, does not adequately reveal the intensity of regional dimensions. The Ninth Plan mentions: "While houses shortage exists in almost all states, there is a large concentration in a few states with Bihar accounting for nearly one-third of the housing shortage in the country, followed by Andhra Pradesh, Assam, Uttar Pradesh and West Bengal which together accounted for another 44.65 percent. In each of the remaining states, the housing shortage is less than 5 percent. Therefore, in the backdrop of total housing requirement, the housing shortage in selected states is more acute.

By the end of the Ninth Plan, 109.53 Lakh units will be constructed leaving a residual gap of 78.17 lakh units (i.e., 187.70 - 109.53 = 78.17 Lakh units). Out of 109.53 lakh units to be constructed, 92.48 lakhs will be new units and 17.05 lakh would be upgradation units. The Tenth Plan (2002-2007) shall have to work for upgradation of unserviceable and kutcha units and also to provide for additional demand due to population growth.

For Urban housing, for Economically Weaker Sections (EWS) and Low Income Groups (LIG) housing units, average cost will be based on Rs. 35,000 and 1 lakh respectively. For 7 Lakh Urban houses, this works out to be Rs. 4,000 Crore per year. Since urban housing was taken up during the second year of Ninth Plan, assuming that investment requirements remain constant over the plan period, urban housing is likely to cost Rs. 16,000 crores.

In the rural sector, the maximum ceiling of assistance under IAY has been raised from Rs. 14,000 to Rs. 20,000 in Plain areas and Rs. 15,800 to 22,000 in hilly areas/difficult areas. In the modified form, it is proposed to implement the IAY in two
components, namely (a) construction of new houses (at a unit cost of Rs. 20,000); and (b) upgradation of Kutcha and unserviceable houses (at a unit cost of Rs. 10,000)\textsuperscript{49}.

Although the Government has raised the cost of providing a housing unit under IAY to 20,000 but considering the price of building materials like bricks, cement, wood, iron, etc, it appears that with this allocation, I would not be possible to provide a pucca house for the population below the poverty line. Consequently, these houses will remain Vulnerable to natural disaster like cyclones and floods. The Government should, therefore, reconsider making a higher allocation for dwelling units for the poor so that the problem of repeated up gradation can be taken care of once for all.

Despite all this rural housing problem would still remain, though the Government hopes to spend Rs. 14,300 crores on rural housing during the Ninth plan. Provision of reasonable shelter for all does require more funds and better housing facilities like toilets, space for kitchen and living space for the poor. This aspect of the social shelter calls forth betterdeal of the poor.

Human Development Report (1999) states: "Competitive markets may be the best guarantee of efficiency, but not necessarily of equity. Liberalisation and privatisation can be a step towards competitive markets - but not a guarantee of them. And markets are neither the first nor the last word in human development\textsuperscript{50}.

"When market goes too far in dominating social and political outcomes, the opportunities and rewards of globalisation spread unequally and inequitably - concentrating power and wealth in a select group of people, nations and corporations, marginalising the other."

Human Development Report has drawn attention to the fact that excessive faith in markets is not correct and markets as instruments should ultimately serve people and if they fail in this objective, societies will have to sharpen other instruments to do the Job.
The situation as it obtains in India has been highlighted by India Development Report (1999-2000) prepared by Indira Gandhi Institute of Development Research, Mumbai.

"One of every three persons in India is officially poor, and two of the three are under nourished. If we count those who are deprived of safe drinking water, adequate clothing or shelter, the number is considerably higher. Finally, if we also include people who are 'above' the officially defined poverty line but are vulnerable, in the sense of not being insured against rising prices, unemployment, illiteracy, declining incomes, old-age and disease, we get a huge majority."

This being the state of affairs, the need for rethinking on economic reforms becomes a necessity. Analysis about the working of economic reforms in India introduced in 1991 reveals that so far as spread of the reform process has been narrow, limited to the corporate sector of the India economy. It has neither touched agriculture nor small scale industry. Unless the 2nd stage of economic reforms enlarge their spread to agriculture and small industry, the much talked about expansion in employment will not be realised. It is only through expansion of employment and improvement in quality of employment that dents can be made on poverty reduction. For this purpose, instead of industry first strategy, agriculture and rural development strategy should get priority. However, from Table – 2 it is clear that the adoption of liberalisation policy, the opportunities in the organised sector or continuously declining.

According to World Development Report (2000-2001), in India, in 1997 (using $ 1 per day as the measure for international poverty line), 44.2 percent of the population was living below the poverty line. In absolute terms, the number of poor was 419 million which works out to be 35 percent of the total poor in the world a very grim scenario indeed.
TABLE - 2

Growth Rates of Employment in Organised Sector

<table>
<thead>
<tr>
<th>Year</th>
<th>Public Sector</th>
<th>Private Sector</th>
<th>Total Organised</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>1.52</td>
<td>1.24</td>
<td>1.44</td>
</tr>
<tr>
<td>1992</td>
<td>0.80</td>
<td>2.21</td>
<td>1.21</td>
</tr>
<tr>
<td>1993</td>
<td>0.60</td>
<td>0.06</td>
<td>0.44</td>
</tr>
<tr>
<td>1994</td>
<td>0.62</td>
<td>1.01</td>
<td>0.73</td>
</tr>
<tr>
<td>1995</td>
<td>0.11</td>
<td>1.63</td>
<td>0.55</td>
</tr>
<tr>
<td>1996</td>
<td>(−)0.19</td>
<td>5.62</td>
<td>1.51</td>
</tr>
<tr>
<td>1997</td>
<td>0.67</td>
<td>2.04</td>
<td>1.09</td>
</tr>
<tr>
<td>1998</td>
<td>(−) 0.09</td>
<td>1.72</td>
<td>0.46</td>
</tr>
</tbody>
</table>


Whereas policies will have to emphasise higher growth rates since they are essential for poverty reduction, it has to be simultaneously ensured that higher growth rate is accompanied by job creation at a rate higher than the rate of growth of labour force, for this purpose, labour-intensive sectors like micro-enterprises, small and medium enterpreneurs will have to be encouraged by providing credit and other support measures.

Another method of enhancing the capabilities of the poor by investing in their health and education can also enable them to take advantage of the newly emerging areas of employment. Special measures should be designed to promote skills among
the poor in information technology, biotechnology and other sunrise industries. In other words, conditions shall have to be created for pro-poor growth in India.

In the post reform period (1991-1997) expenditure on education declined to 3.62 percent of GDP, although it touched 4.39 percent of GDP in 1989. Besides this, per pupil expenditure at all levels, more especially at the elementary education level, has shown serious deterioration in the average annual growth rates.51

Study about health expenditure indicates that family planning effort was strengthened at the cost of expenditure on public health plan expenditure in health improved from 3.34 percent in the first plan to 3.89 percent in the Fourth Plan and thereafter declined in the three plans to 3.1 - 3.2 percent to pick up to 3.42 percent in the Eight Plan53.

Table - 3 and 4 clearly depicts the scenario, which is prevailing in the hole country.

**TABLE - 3**

<table>
<thead>
<tr>
<th>Category of Centres</th>
<th>Requirement for 1991</th>
<th>Functioning as on 30.06.1996</th>
<th>Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub Centres</td>
<td>1,34,108</td>
<td>1,32,730</td>
<td>1,378</td>
</tr>
<tr>
<td>Primary Health Centres</td>
<td>22,349</td>
<td>21,854</td>
<td>495</td>
</tr>
</tbody>
</table>


A review of the economic reforms reveals that whenever expenditure reduction was undertaken social sector comprising health, education, housing and welfare of the poor had to bear the brunt because social sector is considered as a 'soft sector'.

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TABLE – 4

Pattern of investment of family welfare (plan out lays) during different plan period in public sector. Centre, State and UTs

<table>
<thead>
<tr>
<th>No.</th>
<th>Period</th>
<th>Total Investment all Development Head</th>
<th>Plan Outlay expenses</th>
<th>% of expenses</th>
<th>Health</th>
<th>% of expenses</th>
<th>Family Welfare</th>
<th>% of expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>First Plan (1951-56)</td>
<td>1960.00</td>
<td>65.20</td>
<td>3.33</td>
<td>0.10</td>
<td>0.01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Second Plan (1956-61)</td>
<td>4672.00</td>
<td>140.80</td>
<td>3.01</td>
<td>5.00</td>
<td>0.11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Third Plans (1961-66)</td>
<td>8576.50</td>
<td>225.90</td>
<td>2.63</td>
<td>24.90</td>
<td>0.29</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Annual Plan (1966-79)</td>
<td>6625.40</td>
<td>140.20</td>
<td>2.12</td>
<td>70.40</td>
<td>1.06</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Fourth Plan (1969-74)</td>
<td>15778.80</td>
<td>335.50</td>
<td>2.13</td>
<td>278.00</td>
<td>1.76</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Fifth Plan (1974-79)</td>
<td>39426.20</td>
<td>760.80</td>
<td>1.93</td>
<td>491.80</td>
<td>1.25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Annual Plan (1979-80)</td>
<td>12176.50</td>
<td>223.10</td>
<td>1.83</td>
<td>118.50</td>
<td>0.97</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Sixth Plan (1980-85)</td>
<td>109291.70</td>
<td>2025.20</td>
<td>1.85</td>
<td>1387.00</td>
<td>1.27</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Seventh Plan</td>
<td>218729.60</td>
<td>3688.60</td>
<td>1.69</td>
<td>3120.80</td>
<td>1.43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Annual Plan (1990-91)</td>
<td>61518.10</td>
<td>960.90</td>
<td>1.56</td>
<td>784.90</td>
<td>1.28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Annual Plan (1991-92)</td>
<td>65855.80</td>
<td>1042.20</td>
<td>1.58</td>
<td>856.60</td>
<td>1.30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Eighth Plan (1992-97)</td>
<td>434100.00</td>
<td>7562.20</td>
<td>1.75</td>
<td>6500.00</td>
<td>1.50</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Ninth Five Year Plan (Draft) (1997-2002), Planning Commission, GOI.
In the context of Indian planning, the development of social sector always been an area of prime concern for planners, social activists and academicians and has therefore figured at the core of five year plans since its inception. In fact its roots could be traced back to our rich glorious heritage where the state encouraged its subject to develop, progress and enhance their capabilities, irrespective of their caste, creed or gender, by providing ideal and conducive environment. However, the enslaving of nation, for a very long period, destroyed its rich cultural fabric.

After attaining political independence, efforts to develop social sector were also taken up and given equal weightage just like the economic sectors. The impact of planned efforts became more conspicuous on economic sectors where the nation emerged as a leader in many areas by achieving path-breaking success. Agriculture, science and technology, medicine, space research, to name few are some of the areas where the achievement level was simply astonishing. However, on the Social Sector front, the progress achieved was relatively slow and its impact a mixed one. In the case education or literacy, various field level studies show that though there has been an improvement in the overall levels of literacy, number of schools, number of students enrolled and number of teachers, but so has been the levels of drop outs of students at the primary and middle levels increasing marginalisation of socially disadvantaged groups, dilution in the quality education and the high proportion of illiterates are some of the illustrations that highlight the prevailing complex scenario, this discrepancy is not only confined to rural urban settings but has also percolated down to inter state levels. Likewise, for the health sector, it could be seen that though, there has also been a distinct improvement in the health indicators like the lowering of crude birth rate, crude death rate, infant mortality rate, enhancement in the life expectancy at birth, largely on account of expansion in the infrastructure and facilities unfortunately, this progress has, by and large, remained confined to urban areas only whereas the situation in rural areas still remains quite grim. Though several sub centres, primary health centres and community health centres have come up in rural areas during all
these plan periods but they are yet to be fully operationalised due to high incidence of absenteeism on part of doctors, paramedical and multi-purpose staff.

Similarly, the persual of the performance achieved in other social issues like poverty, housing, water supply, employment etc. was also quite disappointing and lopsided. The uneven growth, with distinct tilt towards urban areas, has also accentuated the regional problems: on one hand, and has also given impetus to the process of rural to urban migration on the other.

Economic development has also been seen as expansion of opportunities that the individual enjoys in a society. However, the expansion of human capabilities also depends upon many other influencing factors besides the economic growth. Therefore, the success of development could not be judged, merely, in terms of effect on income and outputs it should, at the basic level, also focus on the lives that the people lead. Besides basic education, gender relation and health care are also equally important factors for development and removal of the counter-productive government controls may finally lead for expansion of social opportunities. Whereas the neglect of basic education, health care, social security, land reforms, etc. could also be detrimental to economic and social development. The removal of barriers to using market can significantly enhance such basic capabilities including those associated with literacy and education, basic health, social security, gender, equality, lands right, local democracy, etc.

Low social development and high inter-regional and inter-state disparities have characterised India's performance. Social development is determined, largely, by three groups of factors viz. The demographic factors, literacy and educational attainment levels and economic indicators. There cannot be a tangible reduction in the birth rates without substantial improvement in the literacy rates. It could be said that initial push to literacy and demographic achievement may be a necessary condition for economic growth, but it cannot be a sufficient condition as states like Kerala and Tamil Nadu have proved it. Likewise, significant improvement in economic condition does not
necessarily ensure better social indicators and states like Punjab and Haryana have been best examples to illustrate.

The study of the profile of health sector from the traditional system in pre-independence period to the health care in past independence period shows that there has been a decline in the health care system has been mainly on account of the country failure to use justly its resources to, provide basic health care to the majority of its population. Though there has been a marked expansion in infrastructure for health sector, yet it fails to match the growth of population which neutralizes the improvement in health sector in India. The factors that influence the performance of health sector have been the proportionate declining share of investment on health as compared to total plan outlay and lack of political will to give prioritise to this sector in the planning process.

The limited success attained in social sector could largely be attributed to the fact that it dealt primarily with the set of indigenous factors and values and their internationalisation with human beings. The process, by its nature, is painfully long and slow. Therefore, social development takes relatively longer time to become conspicuous than economic development.

Unless the tasks of poverty alleviation and social objectives are placed high on the national agenda by mobilising the requisite resources and mustering the necessary will for social engineering, it would be difficult to prevent the market forces, unleashed under the existing package of the economic reforms, from further marginalising the weaker section.

In a seminar Late Shri Madhavrao Scindia (when he was a minister for Human Resources Development (HRD) GOI,) stated, "the rational and basic ingredients of the current economic reform programmes cannot in any sense be said to adversely affect the poor and the needy."
But for the maximum benefit of economic reforms to the poor some more steps should be taken by the government.

The first phase of economic reforms launched in 1991 were essentially crisis driven. The second phase of economic reform should concentrate on consensus driven reforms. The foremost second phase economic reforms should be to ensure the fiscal discipline by an act of legislature so that present level of wasteful expenditure is saved, especially by curbing the over-manning of public sector units and reducing subsidies. These subsidies can be reduced by a target-oriented approach so that the poor are protected. The most important reform should be to redefine the role of the state. In this new role, the state needs to play a more focussed role in the fields of education, health and environmental protection. The state will also have to play a critical role in promoting transparency and good governance. The second phase of economic reforms should correct some of the bad effects of the initial economic reforms, especially on social sectors. During the initial economic reform period, the rural poverty ratio has increased from 35.04% in 1990-91 to 45.25% in 1998. The total poverty ratio has also increased from 35.11% to 43.01% during the same period. During the initial economic reform, the growth rate was not trickling down. During the period, the poverty has increased by 2.7% with an average growth rate of 1.1%. The poverty alleviating programmes such as PDS, IRDP, IRY, etc. should be strengthened especially in the short run in the later economic reforms. The targeted poverty alleviation programme should be launched to directly help the poor to improve their economic, physical and social condition. Government should allocate larger amount of funds for these programmes. At present, effectiveness of these programmes is very low. There is a need for involving panchayats, NGOs, self-help groups, community organisations for strengthening government employment programmes. To strengthen the effectiveness of anti-poverty programmes, the government should:
(I) Encourage the panchayati raj institutions in anti poverty programmes, and (II) to involve NGOs and self-help groups (SHG) for credit mobilisation and implementation of government schemes.

For the reduction of the rural poverty, agricultural growth should be improved in the later economic reforms. The later economic reforms should increase the employment opportunities in agriculture sector by accelerating the rate of growth in agriculture.

After the overall discussion now it is clear that economic reforms are meant for the development of human resources. These reforms should state how one can have better access to education, health, and family welfare. In short economic reform should aim at greater social development.
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