# **25 YEARS OF** REFORM:



In the early 1990s, the Indian economy was on the verge of a collapse. Hoping to stem the tide, the government, headed by Prime Minister PV Narasimha Rao, launched a series of wide-ranging reforms. These reforms, which largely focused on product markets, would end up radically altering the structure of the Indian economy. Over the next two decades, India would emerge as one of the fastest-growing economies in the world. A far cry from the days of languishing at low single—digit growth rates.

As India celebrates the 25th anniversary of that epoch-making moment, Business Standard looks at the distance the country has travelled through the lens of key indicators.

#### **SENSEX AND PMs** 40,000 **BSE MARKET CAP** 26,667.96 H D DEVE GOWDA (₹ crore) 30,000 June 1, 1996-April 21, 1997 MANMOHAN SINGH 94,75,328 Mar '16 May 22, 2004-May 26, 2014 NO. OF LISTED 20,000 FIRMS ON BSE 1992-93 ATAL BIHARI VAJPAYEE 2,861 P V NARASIMHA RAO March 19, 1998-2015-16 5,835 June 21, 1991-May 22, 2004 10,000 May 16, 1996 INDER KUMAR GUJRAL April 21, 1997-1,307.34 March 19, 1998 NARENDRA MODI May 26, 2014-ATAL BIHARI VAJPAYEE May 31, 1991 May 31, 2016 May 16, 1996-

## WINDS OF **CHANGE\***

#### Trade policy changes

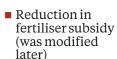
- Abolition of export subsidies
- Rep licences for imports replaced with tradeable Exim
- All supplementary import licences abolished
- Decanalisation of imports proposed
- Rupee convertibility in three-five years
- The rupee depreciated 20 per cent in two stages

#### **Industrial policy** changes



- Industrial licensing for all projects, except 18 specified groups, abolished
- Private sector investment allowed in 10 areas hitherto reserved for the public sector
- Automatic approval for foreign technology
- agreements ■ Automatic approval for
- foreign equity participation up to 51 per cent in 34 select areas
- Clause allowing conversion of loans into equity for new projects scrapped
- Disinvestment of government equity in public sector undertakings to mutual fund houses, FIs allowed

#### Fiscal reforms





- Abolition of subsidy on sugar
- Setting up the tax reform committee under Raja Chelliah

#### Monetary and financial sector reforms

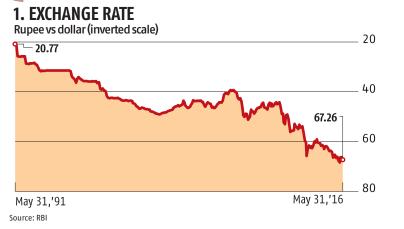


- Reduction in statutory liquidity ratio (SLR) and cash reserve ratio (CRR)
- Interest rate liberalisation by decontrolling interest rates on longer term deposits, and progressively extending it to deposits of shorter maturity
- Liberalisation of bank branch licensing policy in order to rationalise the existing branch network
- Banks were given freedom to relocate branches and open specialised branches
- Guidelines for opening new private sector banks \*Decisions announced in the first year of reforms

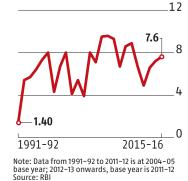
Tax rates (%)		
	1991-92	2015-16
Income tax	50	30
Corporation tax	45	30
Peak Customs duty	150	10
Source: Budget documents		

### **MACROECONOMY**

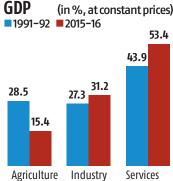
June 1, 1996



#### 2. GDP GROWTH (% y-o-y, at factor cost)



# 3. SECTOR-WISE SHARE OF



activities

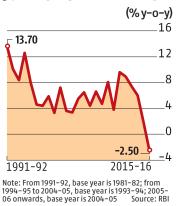


Note: 1991–92 GDP is at 2004–05 base; 2015–16 GDP is at 2011–12 base Source: Planning Commission reports, MoSPI

## 4. INDEX OF INDUSTRIAL **PRODUCTION** (% y-o-y) 0.6 1991-92 2015-16

Note: Data from 1991–92 to 1993–94 is at 1980–81 base year; from 1994–95 to 2004–05, base year is 1993–94; from 2005–06, base year is 2004–05 Source: MoSPI

## 5. WHOLESALE INFLATION



6. CREDIT AND DEPOSIT

Bank credit
 Bank deposit

7. YIELD ON 10-YEAR

**GOVERNMENT BONDS (%)** 

(% y-o-y)

40

30 

**4**10

\_0

.10

7.47

May 31, '16

400,000

\_300,000

200,000

100,000

(% of total)

21.9

9.70

2015-16

GROWTH

9.40

<sub>\_</sub>12.23

Nov 30, '98

8. FOREX RESERVES

355,560

2015-16

9. POPULATION BELOW

37.2

Source: Tendulkar Committee report

29.8

'93-94 '04-05 '09-10 '11-12

**POVERTY LINE** 

Total

45.3

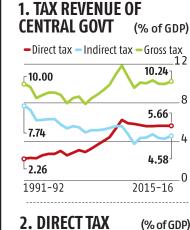
Source: RBI

(\$ mn)

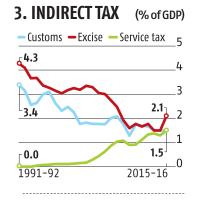
9,220

1991-92

1991-92

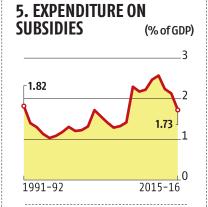




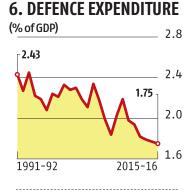


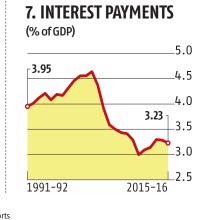


## **PUBLIC FINANCE**

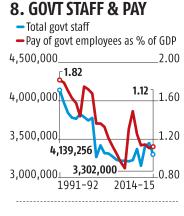


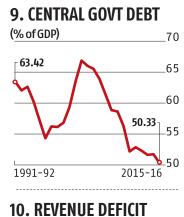




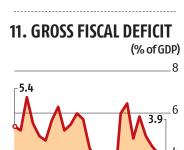


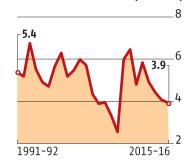
### 8. GOVT STAFF & PAY







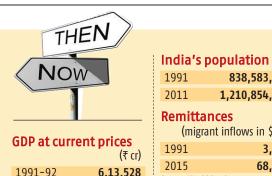








Top exports			
Rank	1990-91	2015-16	
1	Textiles	Jewellery	
2	Food & agriculture	Petroleum	
3	Chemicals	Automobile & auto components	
Source: Commerce ministry, T P Bhat's Structural Changes In India's Foreign Trade			



2015-16 Note: 1991–92 GDP is 2015–16 GDP is at 2011

1991-92

2015-16

Per capita in

(in ₹, at o

	1		
	1991	838,583,988	
	2011	1,210,854,977	
	Remittances (migrant inflows in \$ mn		
<b>nt prices</b> (₹ cr)	1991	3,294	
6,13,528	2015	68,910	
<b>1,35,76,086</b> at 2004–05 base,	Number of taxpayers (in mn)		
1 <b>come</b>			
current prices)			
7,000	1991-92	2 4	
•	2013	50	
93,293	Source: CRDT		

Source: CBDT

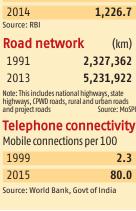
ortality rate Deaths per 1,000)		
80		
39		
ate (%)		
52.21		
74.04		
Source: Census, World Bank Registered motor vehicles in India (in mn)		

21.4

159.5

1991

2012



Bank accounts (in mn)

355.19

1991

Compiled by Ishan Bakshi