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## “Empowering India: Political Dynamics of Economic Reforms and Inclusive Growth”

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### Abstract:

This research paper aims to analyze the historical, contemporary, and prospects of economic reforms in India, with a specific focus on their impact on inclusive growth of all the strata of the society. The paper will delve into the political dynamics surrounding economic policies, examining the ongoing progress, and identifying the need for additional reforms to foster inclusive development in both policy frameworks and societal structures. This research paper examines the intricate relationship between economic reforms and inclusive growth in India. The paper aims to provide insights into the ongoing progress, the necessity for further reforms, and the societal implications within the broader context of political science. This paper will focus on how the economic reforms in India took place from the historical times in the country post-independence. Policies such as liberalization, globalization and privatization made a huge impact on the economy and took India to new levels of development in the 1990s. This paper contains the list of major economic reforms in the country that helped India to take a new stand in the world and also contains the vision and perspective of the current government in such fields to make India a leading economy in the world. This research paper tells the economic capabilities of the country and the vision of the political parties and their policies for the broader perspective of the inclusive growth of the country as a whole.

### I. Introduction:

Since gaining independence in 1947, India's economic trajectory has been marked by significant shifts, reforms, and gradual integration into the global economy. In the initial decades post-independence, India followed a planned economy model with an emphasis on self-sufficiency and import substitution. It was in the Eighth Five-Year Plan that was scheduled to be introduced in April 1990 but it was introduced in 1992<sup>1</sup>. At that time, the country was going through a severe economic crisis. The government launched India's free-market reforms that brought the nearly bankrupt nation back from the edge. It was the beginning of liberalization, privatization, and globalization (LPG) in India that brought about a transformative change. These reforms dismantled the license-

<sup>1</sup> Ministry of Statistics and Programming Implementation. “Chapter 7 Five Year Plans”. *Government of India*. [https://mospi.gov.in/sites/default/files/Statistical\\_year\\_book\\_india\\_chapters/Five\\_Year\\_Plan.pdf](https://mospi.gov.in/sites/default/files/Statistical_year_book_india_chapters/Five_Year_Plan.pdf).

permit raj, liberalized trade policies, and attracted foreign investments in the country. The subsequent decades witnessed robust economic growth, an expanding middle class, and advancements in technology and services. The key sectors like information technology, pharmaceuticals, and telecommunications became global players. Another major reform was the Goods and Services Tax (GST) implementation in 2017 aimed at simplifying the tax structure. Despite challenges like income inequality and unemployment, India's economic resilience has garnered global attention. The nation's economic prowess is underscored by its standing as one of the world's largest economies, a burgeoning startup ecosystem, and a demographic dividend that holds immense potential. Continued efforts toward economic reforms, infrastructure development, and social inclusivity position India as a key player on the world economic stage. In 2023, India will be one of the fastest-growing economies in the world bypassing global headwinds and worsening geopolitical situations. Also in 2024, the Indian economy is expected to grow 7.3 percent on an annual basis according to the first advance estimate of the National Statistical Office.<sup>2</sup>

## II. Historical Context:

### II.I. Pre-liberalization Era

In the pre-liberalization era, which spans from India's independence in 1947 to the early 1990s, the country followed a planned economic model influenced by the socialist ideologies of the USSR. The central planning authority, the Planning Commission, was established and played a pivotal role in shaping economic policies of this age. The pre-liberalization era laid the groundwork for industrialization, infrastructure development, and the establishment of institutions. However, it also faced challenges such as slow growth, inefficiencies in the public sector, and limited integration with the global economy. The key features of the economy and its reforms during this period are as follows:

- **Five-Year Plans:** India adopted a series of Five-Year Plans, for better planning which outlined economic development goals and strategies. These earlier plans just after independence till the 1990s emphasized the public sector's dominance in key industries, with an objective to achieve self-sufficiency and reduce dependency on foreign imports.
- **Public Sector Dominance:** It was only the government that had a significant presence in various industries, including manufacturing, infrastructure, and services. Public sector enterprises were often seen as engines of economic growth. The private players were not encouraged during these times.
- **Import Substitution Industrialization (ISI):** The ISI strategy aimed to reduce reliance on imported goods by promoting domestic production that was government-focused. Protective tariffs and trade barriers were imposed to shield domestic industries from foreign competition due to the fear of other countries' imperial motives.

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<sup>2</sup> Dhoot Vikas. (2024, January 05). India's real GDP growth for 2023-24 estimated at 7.3%.

The Hindu. [https://www.thehindu.com/business/Economy/economy-to-grow-by-73-in-current-fiscal-against-72-expansion-in-fy23/article67709699.ece#:~:text=India's%20real%20GDP%20growth%20in,Bank%20of%20India%20\(RBI\)](https://www.thehindu.com/business/Economy/economy-to-grow-by-73-in-current-fiscal-against-72-expansion-in-fy23/article67709699.ece#:~:text=India's%20real%20GDP%20growth%20in,Bank%20of%20India%20(RBI).). Accessed on 06/01/2024.

- **Mixed Economy:** Though India followed a mixed economy approach, with both public and private sectors coexisting private players were limited and entry was also restricted in many areas. However, the public sector played a more dominant role in strategic industries and sectors deemed vital for national development.
- **Agricultural Emphasis:** Just after the independence the focus was on agriculture and it was a priority, and land reforms were implemented to address issues of tenancy and unequal land distribution. The Green Revolution in the 1960s and 1970s aimed at increasing agricultural productivity through the adoption of high-yielding varieties of crops and modern farming techniques.
- **Foreign Exchange Controls:** The government implied stringent controls on foreign exchange and trade to manage the balance of payments. This led to restrictions on imports and limited exposure to international markets.
- **Balance of Payments Crisis (1991):** Due to less focus on economic conditions, more public enterprises present in the country and a complex mixture of other problems in the world, by the late 1980s, India faced a severe balance of payments crisis, marked by dwindling foreign exchange reserves and a looming economic downturn. This crisis served as a catalyst for the initiation of economic liberalization in 1991.<sup>3</sup>

## II.II Post-Liberalization to 21st Century:

• The problems accrued during the 1990s made the Indian government take a firm stance to recover the economy. Then came the LPG reforms in the 1991<sup>4</sup>. The post-liberalization era, initiated in 1991, heralded a transformative period for India's economy, catapulting the nation into a trajectory of remarkable growth and modernization. The liberalization, privatization, and globalization (LPG) reforms dismantled the restrictive policies of the earlier regimes in the past, fostering a more open and market-oriented economy to allow more players to enter the economy. This shift attracted foreign direct investment, encouraged private entrepreneurship, and facilitated the integration of India into the global economic landscape at a fast pace. The technology and services sectors witnessed unprecedented growth, positioning India as a global hub for information technology and business process outsourcing. The digital age saw the rise of a vibrant startup ecosystem and increased connectivity, transforming the way businesses operated and people lived. Also, India proved its prudence at the tough times and India's resilience was evident during the 2008 global financial crisis when the country weathered the storm relatively well compared to many other economies. Sound fiscal policies, a robust banking system and domestic demand cushioned the impact, showcasing the benefits of the economic reforms and the nation's ability to navigate through global challenges. The post-liberalization period not only fueled economic growth but also brought about societal changes, elevating India to a prominent position on the world stage as a dynamic and forward-looking nation as we see it today in the 21<sup>st</sup> century.

<sup>3</sup> Chopra, Ajay. Collyns, Charles (et.al). (1995). India: Economic Reform and Growth. *Occasional Paper*. International Monetary Fund. <file:///C:/Users/sony/Downloads/9781557755391-9781557755391.pdf> Accessed on 05.02.2024.

<sup>4</sup> Ministry of Education. Government Of India. "Unit II Economic Reforms Since 1991". *NCERT*. <https://ncert.nic.in/textbook/pdf/keec103.pdf>

### III. Challenges and Impact of the Corona Pandemic:

It is worth discussing that whatever better plans the country made, the pandemic made it suffer a lot. Amidst the global upheaval caused by the COVID-19 pandemic, even the world's largest economies experienced unprecedented challenges. However, India, under stable governance and pragmatic economic policies, fared relatively well compared to many other nations. The Indian government swiftly implemented measures to address the economic fallout, combining fiscal stimulus packages, monetary interventions, and social welfare programs. These policies aimed to protect vulnerable populations, support businesses, and boost healthcare infrastructure. While India did face economic contraction and challenges such as job losses and disruptions in various sectors, the government's proactive response such as timely actions, lockdown initiatives, etc. played a crucial role in mitigating the impact. Additionally, the country's robust pharmaceutical industry such as Serum Institute and many others played a pivotal role in vaccine production and distribution, contributing not only to India's recovery but also assisting the global fight against the pandemic. The resilience exhibited by the Indian economy during the tough times of the pandemic underscored the importance of sound economic governance and adaptability in navigating unprecedented global crises.

### IV. Ongoing Reforms and Policies in Contemporary Times:

The dawn of the 21st century brought forth a rapid wave of globalization, technological advancements, and interconnectedness that necessitated a fresh perspective on economic policies worldwide. India, recognizing the imperative for change from the traditional stand, witnessed a significant leap forward in economic reforms under the leadership of the Bharatiya Janata Party (BJP) when it assumed power in 2014. The government, led by Prime Minister Narendra Modi, embarked on a journey to modernize and revitalize India's economy, aligning it with the demands of the contemporary world with his new vision. Initiatives such as "Make in India," "Digital India," and the Goods and Services Tax (GST) were introduced to enhance manufacturing, promote technological innovation, and streamline the taxation system in a smooth and better way. These reforms aimed not only to attract foreign investment but also to foster domestic growth and job creation so that the benefits of the same could reach the last man standing. Another major task, demonetization in 2016 aimed at curbing black money and promoting a digital economy was done with proper safeguards. The focus on infrastructure development, financial inclusion, and social welfare programs demonstrated a holistic approach to economic reforms, reflecting a commitment to making India a competitive and inclusive nation in the evolving global landscape. The ongoing efforts to simplify regulations, improve ease of doing business, and invest in human capital underscore the government's vision for a progressive and modern India that is well-positioned to meet the challenges and opportunities of the 21st century. Some major works going on with the efforts of the government that are not merely economic reforms but also gave impetus to the other areas of development have been listed below:

- **Goods and Services Tax (GST):** The introduction of GST in 2017 aimed to create a unified tax structure, replacing a complex web of multiple indirect taxes. This is a uniform single tax system. While it streamlined the tax system and facilitated ease of doing business, its initial implementation faced challenges, affecting small businesses to adapt to the new system. Over time, efforts have been made to address concerns and make the GST system more taxpayer-friendly. GST was implemented to eradicate corruption, promote

transparency, and benefit the common man. It has proven to be a major economic booster by minimizing human intervention in the tax system, eradicating the corrupt practices and evasion of the tax problems<sup>5</sup>.

- **Demonetization (2016):** The demonetisation of high-denomination currency notes of Rs 500 and Rs1000 was a bold move to curb black money, corruption, and counterfeit currency to benefit the Indian economy. While it led to short-term disruptions and challenges, the government argued that it contributed to a more transparent and digitized economy, promoting financial inclusion. It sucked out the whole legal tender notes and hit hard on the black market running in the country. The aim was to bring the whole hoarded cash into the economy to streamline the development process. It was one of the major decisions of the current BJP government in line with the economic benefits to the country. It also made a huge impact by eradicating counterfeit currency from the system and bringing people into the mainstream of digital banking<sup>6</sup>.
- **Make in India (2014):** The scheme launched in India aims to transform the country into a leading global manufacturing hub. To boost the economy it was to boost manufacturing and attract foreign investment. The Make in India initiative aimed to create jobs and enhance India's industrial competitiveness. The emphasis on local production has the potential to strengthen the economy, though challenges such as regulatory hurdles and infrastructure gaps remain. The focus of this was to attract foreign finance and boost Indian manufacturing. This scheme made substantial accomplishments across many sectors such as manufacturing and industries, and ease of doing business by de-licensing and de-regulating the industries.
- **Pradhan Mantri Jan Dhan Yojana (PMJDY):** The Pradhan Mantri Jan-Dhan Yojana was launched on 28 August 2014. The scheme was launched with the aim of providing universal access to banking facilities for the common man even to the illiterate section of the society. It aimed to have at least one basic savings bank account for every household. The PMJDY was launched against the backdrop of low financial inclusion in India. In 2014, only 53% of Indian adults had a bank account.<sup>7</sup> The PMJDY aimed to address this gap and provide banking facilities to all Indians, regardless of their income or social status in the society. The PMJDY was launched with many features that made it attractive to account holders such as insurance covers, etc. The PMJDY was a huge success in its initial years. Within a year of its launch, over about 200 million new bank accounts were opened under the scheme. This scheme created awareness about the need for accounts and has also helped to increase financial literacy in India. A study by the World Bank found that the PMJDY has led to a significant increase in the number of Indians who are aware of basic financial concepts. This financial inclusion initiative focused on providing banking services to the unbanked population of the country to instil the value of savings and help the poor during tough times. PMJDY aimed to bring marginalized sections into the formal financial system, promoting financial literacy and enabling

<sup>5</sup> Ministry of Finance. Department of Revenue. (n.d). "Goods and Services Tax". *Central Board of Indirect Taxes and Customs*. <https://cbic-gst.gov.in/aces/whoweare.html> Accessed on 01/02/2024.

<sup>6</sup> Mole S, Sreeja. (2021, September). Demonetisation. ResearchGate. [https://www.researchgate.net/publication/354784051\\_Demonetisation-article#:~:text=India's%20move%20to%20demonetisation%20was,greater%20formalisation%20of%20the%20economy](https://www.researchgate.net/publication/354784051_Demonetisation-article#:~:text=India's%20move%20to%20demonetisation%20was,greater%20formalisation%20of%20the%20economy).

<sup>7</sup> The Economic Times. (2018, April 20). Number of adult Indians with bank accounts rises to 80%. [https://economictimes.indiatimes.com/industry/banking/finance/banking/number-of-adult-indians-with-bank-accounts-rises-to-80/articleshow/63838930.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://economictimes.indiatimes.com/industry/banking/finance/banking/number-of-adult-indians-with-bank-accounts-rises-to-80/articleshow/63838930.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst) Accessed on 02.02.2024.



access to credit, insurance, and other financial services which were limited to the section of the society before this scheme<sup>8</sup>.

- **Aadhaar and Direct Benefit Transfer (DBT):** The linking of Aadhaar (unique identification) to various government services, coupled with the Direct Benefit Transfer system, aimed to reduce leakages and ensure the targeted delivery of subsidies and welfare benefits directly into the beneficiaries account. This reform has been seen as a major economic benefit for the beneficiaries of the various schemes running for the benefit of the people. This was done so that the middlemen can be eradicated from the linkages between the people and the government and by this the government can also be sure of the line of the payment reaching to the real and actual needy population. This has contributed to increased efficiency and reduced corruption making the economy more stable and benefiting the last man in the queue<sup>9</sup>.
- **Atmanirbhar Bharat Abhiyan:** The Atmanirbhar Bharat initiative, launched in 2020 in response to the COVID-19 pandemic, promotes self-reliance and aims to boost domestic manufacturing and innovation. It encompasses various economic reforms and stimulus packages to revive economic growth. It aimed at boosting local manufacturing strengthening the local manufacturers and reducing their dependence on imports. The government announced initiatives and relief to the MSME sector to promote this scheme. The pandemic highlighted the need for a robust healthcare system to support the population. Atmanirbhar Bharat addressed this by allocating resources for the development of healthcare infrastructure, research, and the production of essential medical equipment. Atmanirbhar Bharat Abhiyan played a crucial role in the economic reformation of Indian society by fostering self-reliance, boosting domestic industries, supporting key sectors, and laying the foundation for a more resilient and competitive economy<sup>10</sup>.
- **MUDRA schemes:** The MUDRA (Micro Units Development and Refinance Agency) scheme, launched as part of a visionary approach to economic upliftment, has yielded significant benefits for the society, particularly in empowering the micro-enterprise sector that was left behind under earlier regimes. By providing financial assistance and support to small entrepreneurs, the MUDRA scheme played a pivotal role in fostering entrepreneurship and self-employment in major sections of society. It has facilitated access to credit for individuals in the informal sector who may not have had easy access to traditional banking services. Through three categories - Shishu, Kishor, and Tarun - the scheme caters to businesses at different stages of development, ensuring tailored easy financial solutions. This initiative aligns with the broader vision of inclusive economic growth, where every individual, regardless of socio-economic background, has the opportunity to participate in and benefit from the country's economic progress.
- **Atal Pension Yojana:** The Atal Pension Yojana (APY) has emerged as a crucial tool for providing social security to marginalized sections of society, ensuring them that they can break away from dependency on the next generation during their retirement years. Launched with the vision of fostering financial inclusion

<sup>8</sup> Bijoy, Kumar. (2018, January). "Financial Inclusion in India and PMJDY: A Critical Review". *ResearchGate*. [https://www.researchgate.net/publication/322777479\\_Financial\\_Inclusion\\_in\\_India\\_and\\_PMJDY\\_A\\_Critical\\_Review](https://www.researchgate.net/publication/322777479_Financial_Inclusion_in_India_and_PMJDY_A_Critical_Review)

<sup>9</sup> Unique Identification Authority of India. "Aadhaar for Direct Benefit Transfer". *Government of India*. <https://uidai.gov.in/en/contact-support/have-any-question/309-english-uk/faqs/direct-benefit-transfer-dbt/about-dbt.html#:~:text=Using%20this%2C%20you%20can%20do,to%20other%20Aadhaar%20holders%2C%20etc.&text=Seeding%20of%20Aadhaar%20in%20the,your%20benefits%20by%20impersonating%20you>.

<sup>10</sup> Department of Administrative Reforms & Public Grievances. (2022, April, 21). "Atmanirbhar Bharat- Focus on Exports". *Government of India*. <https://darpg.gov.in/sites/default/files/CSD-2022/Atmanirbhar%20Bharat.pdf>

and securing the future of the unorganized sector, especially for those engaged in low-income occupations, APY offers a systematic and affordable pension scheme. By encouraging individuals to contribute towards their retirement funds during their working years, the scheme ensures a regular and stable income post-retirement. This has had a profound impact on economic stability for a vast population, as it prevents them from falling into poverty during old age. APY's success lies in its simplicity, accessibility, and the government's commitment to promoting financial independence among the economically vulnerable<sup>11</sup>.

- **UPI Interface:** The Unified Payments Interface (UPI) has emerged as a transformative milestone in the economic reform of India, connecting a vast population to the mainstream banking system and revolutionizing the way transactions are conducted in the whole part of the country. UPI's user-friendly interface has played a pivotal role in bringing financial services to the fingertips of millions, fostering financial inclusion and reducing dependency on traditional banking methods. Its seamless and instantaneous transaction process has not only facilitated smoother financial transactions but has also significantly contributed to the government's goal of reducing corruption and eliminating intermediaries. By enabling direct and transparent transactions, UPI has mitigated the risks associated with cash transactions, leading to a more accountable and efficient financial ecosystem.<sup>12</sup> The widespread adoption of UPI has also empowered small businesses and entrepreneurs by providing them with a secure and accessible platform for financial transactions. Overall, UPI has catalyzed a paradigm shift in the Indian economy, promoting financial literacy, reducing cash dependency, and fostering a more inclusive and transparent financial landscape.<sup>13</sup>

## V. Conclusion:

From the above research it can be inference that from the early years of planned development to the contemporary regime, our nation has exhibited a wise and strategic approach that has propelled us to unprecedented heights on the global economic stage. The policies adopted by successive governments after independence have not only steered India towards becoming one of the largest economies in the 21st century but have also laid the foundation for sustainable growth and inclusive development. The focus on self-reliance, the liberalisation, privatisation and globalisation of the economy, have been pivotal strategies. The resilience and adaptability of our people, coupled with the visionary economic policies of the governments, have created an environment conducive to innovation, entrepreneurship, economic stability and progress. Today, India stands as a beacon of economic strength, showcasing how strategic planning, coupled with the indomitable spirit of its people, can transform a nation's destiny.

<sup>11</sup> National Portal of India. (n.d). "Atal Pension Yojana". *Government of India*. <https://www.india.gov.in/spotlight/atal-pension-yojana>

<sup>12</sup> Yadav, M. (2022). Governance, Digital Divide and Digital Exclusion@ 75 Years of India's Independence. *Issue 1 Int'l JL Mgmt. & Human.*, 5, 2452.

<sup>13</sup> PIB, (2023, October, 30). India's UPI: A global front-runner in digital payment systems. *Special Services and Features*. <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1973082&ref=indiotech.com#:~:text=UPI%20is%20used%20at%20all,China%20Thailand%20and%20South%20Korea>. Accessed on 01/02/2024.