CHAPTER 3
LIBERALIZATION, PRIVATIZATION AND GLOBALIZATION – AN APPRAISAL

Introduction

It gives a clear picture about the background of the reform policies, mechanisms like liberalization, privatisation and globalization through which reform policies were introduced. It gives a critical knowledge about the impact of reform process in various sectors of Indian economy.

VALUES & ATTITUDES:
- Positive attitude towards international economic relationships
- Recognize the importance of Global Economy.

<table>
<thead>
<tr>
<th>Concepts/Idea</th>
<th>Process/Activity/Assessment</th>
<th>Learning Outcome</th>
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<tbody>
<tr>
<td>- Foreign Exchange Reserve</td>
<td>Interactive Discussion Discussion Points</td>
<td>Explain the meaning of foreign exchange reserve and foreign exchange rate.</td>
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<tr>
<td>- Foreign Exchange Rate</td>
<td>- Foreign Exchange Reserve</td>
<td>Identify the changes in foreign exchange rates of different countries and prepare a chart showing foreign exchange rates of different countries.</td>
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Background of the Reform Policies of 1991
- Deficit Budget
- Public Borrowing
- Inflation
- Increase in imports
- Decline in foreign exchange reserves
- World Bank and IMF
- New Economic Policy (NEP)

General Discussion Discussion Points:
- Background of the Reform Policies of 1991
- Deficit Budget
- Public Borrowing
- Inflation
- Increase in imports
- Decline in foreign exchange reserves
- World Bank and IMF
- New Economic Policy (NEP)

Stabilization Measures & Structural Reform Measures
- Balance of Payment
- Inflation

Interactive Discussion Discussion points:
- Stabilization Measures & Structural Reform Measures

Categorize the stabilization and structural reform measures that took
### Liberalization
- **Meaning of liberalization**
- **Deregulation of Industrial sector**
  - Removal of restrictions on Industrial sector
  - De-reservation in small scale sector
  - Abolishing industrial licensing
- **Financial Sector Reforms**
  - Meaning of Financial Sector
  - Revised role of RBI
  - Establishment of Private sector banks
  - Foreign Institutional Investors (FII)
- **Tax Reforms**
  - Meaning
  - Fiscal policy
  - Reforms in Direct and Indirect taxes
  - Corporation Tax Reforms
  - Tax simplification
  - Lowering tax rates
- **Foreign Exchange Reforms**
  - Devaluation of rupee
- **Trade and Investment policy Reforms**
  - Efficiency of industries
  - Adoption of modern technologies
  - Abolishing

### Seminar
**Topic:** “Liberalization, Privatization and Globalization in India”

**Points:**
- **Liberalization**
  - Meaning of liberalization
  - Deregulation of Industrial sector
    - Removal of restrictions on Industrial sector
    - De-reservation in small scale sector
    - Abolishing industrial licensing
  - Financial Sector Reforms
    - Meaning of Financial Sector
    - Revised role of RBI
    - Establishment of Private sector banks
    - Foreign Institutional Investors (FII)
  - Tax Reforms
    - Meaning
    - Fiscal policy
    - Reforms in Direct and Indirect taxes
    - Corporation Tax Reforms
    - Tax simplification
    - Lowering tax rates
  - Foreign Exchange Reforms
    - Devaluation of rupee
  - Trade and Investment policy reforms
    - Efficiency of industries
    - Adoption of modern technologies
    - Abolishing Quantitative Restrictions
    - Abolishing Tariffs

**Explain Economic Reforms (LPG) of 1991.**

**Analyze various reforms coming under Liberalization and prepare a report. Define devaluation. Identify the relationship between devaluation, export, import and foreign exchange rate. Identify different ways in which Privatization took place in India. Define Disinvestment.**
<table>
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<tr>
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<tr>
<td>• Abolishing Tariffs</td>
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<td>• Removal of Import Licensing</td>
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<td>• Removal of Export Duties</td>
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Privatization
- Meanings of Privatization
- Conversion of Public companies into private companies
- Disinvestment
- Maharatnas, Navaratnas, miniratnas

Globalization
- Meanings of Globalization

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<tr>
<td>- Meaning</td>
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<td>- Information Technology</td>
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<td>- Degree of Skill and Accuracy</td>
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Interactive Discussion
Topic: “Outsourcing and how it helps Indian Economy”.
Points:
- Outsourcing |
- Meaning |
- Information Technology |
- BPO or Call centers |
- Internet, text, voice and visual data |
- Degree of Skill and Accuracy |
- Skilled manpower |

World Trade Organization
- GATT |
- Bilateral Trade Agreements |
- Multilateral Trade Agreements |
- Removal of Tariff and Non-Tariff Barriers |
- Market Access |

Read the table showing
- Formation of WTO |
- Aims of WTO |

Assessment of Economic Reforms in India
- Increase in GDP |
- Increase in Foreign Direct Investment |
- Increase in Foreign Institutional Investment (FII) |
- Growth and Employment |
- Reforms and Agriculture |
- Reduction in public |

Debate
Topic: “Impact of Reforms in India is good”
Group I – For the motion
Group II – Against the motion

Critically analyze the impact of Economic Reforms (LPG) and prepare a debate report.
<table>
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<tr>
<td>• Decelerating Growth rate</td>
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<td>• Increase in cost of production</td>
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<td>• Adverse effect of policy changes</td>
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<td>• Increased international competition</td>
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<td>• Export oriented production</td>
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<td>• Upward pressure on prices of food grains</td>
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- Reforms and Industrial Sector
  • Slowdown in industrial growth
  • Cheaper imports
  • Uneven competition from developed nations
  • Lack of Infrastructural facilities

- Disinvestment
  • Undervaluation of public sector units
  • Loss to govt.
  • Uneconomical use of money from disinvestment

- Reforms and Fiscal Policies
  • Limited growth of public expenditure in social sectors
  • Reduced tax revenues
  • Reduced customs duties
To the Unit

Activity:1. Topic: Background of Reforms policies of 1991

General Discussion

Teacher explains the background related to the 1991 New Economic Policy reforms and ask the students to lead a group discussion. Then the teacher writes on the blackboard the important concepts such as deficit budget, public borrowing, inflation, increase in imports, decline in foreign exchange reserve, World Bank and IMF, and divide the students into various groups. Each group assigned to collect the relevant information regarding the topic and present the matter in systematic manner. The teacher guides them to consolidate ideas provided by the group. Teacher ask the students to submit a discussion report.

Process (to CCE)

Discussion Report (to portfolio)

Activity:2 Topic: Liberalization

Seminar

As part of brainstorming, teacher shares the background of NEP and given a brief description about the topic and agrees with the students that the areas can be presented through a general discussion. Teacher writes the important concepts on the B.B such as meaning of liberalization, deregulation of industrial sector, financial sector reforms, tax reforms, foreign exchange reforms, trade and investment policy reforms etc.

On the basis of the above concepts, the students are divided into five groups and assign each group an area and ask them to collect and analyse the facts and let them to present seminar paper. Teacher provides sufficient materials and persuade the students to involve activity in the seminar discussion. After seeking opinion from the students a moderator is selected to control the seminar. During the seminar teacher observes each group’s performance and consolidate the main ideas and ask all the students to submit a seminar report.

Seminar (to CCE)

Seminar Report (to portfolio)

TE Questions

1. Odd one out and justify. Privatization, Nationalisation, Liberalisation, Globalisation.
   Scoring key: Nationalisation.
2. State whether true or false ONGC is a Navaratna company.
   Scoring key: True
3. Do you think outsourcing is good for India? Explain
   Scoring key: Yes
a) Legal advice  
b) computer service  
c) advertisement  
d) security provided by respective department of the company.  
e) Growth of information Technology (IT)

4. Explain the economic reforms of 1991?

   **Scoring key**: True Introduction 
   Content 
   a) Liberalization  
b) Privatization  
c) Globalization  

   Conclusion

4. Match the following

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5. Give two sources of government revenue.

   **Scoring key**: i) Taxation  
   ii) Income from the public sector undertakings