

Reforms initiated by Manmohan Singh

Why in News?

The architect of India's economic liberalisation Dr Manmohan Singh breathed his last recently.

- He is known for heralding the era of market economy in India.

Manmohan Singh served as finance minister from 1991- 96 and as the prime minister from 2004 to 2014.

Fiscal Reforms

- **Fiscal Discipline** - The government set the target of bringing down *fiscal deficit to 3-4% in the medium-term*.
- It set the target of bringing the fiscal deficit target of 1992-93 to 5%, down from 6.2% in the previous year.
- **Rationalising government spending** - Through *major cuts in subsidies and non-planned expenditures*.
- Thus, the government announced major tax reforms to boost its tax revenue.

Trade Policy Reforms

- **Rupee Devaluation** - Rupee was *devalued 18%* to make Indian exports competitive.
- **Import reforms** - Import restrictions for exporters were reduced.
- Import of capital goods was allowed without the need of government permission.
- **Export reforms** - Exports trading houses were allowed to have 51% foreign equity.
- The government rationalised tariff structure and removed of quantitative restrictions on imports.

Monetary Policy Reforms

- **Banking reforms** - Setting of interest rates by lenders were deregulated, *new private bank licences issued*.
- *Public listing of banks* and moving to a new framework of recognition of accounts and introduction of capital adequacy norms *recommended by Narasimham committee*.
- **Tighter policies** - Tighter monetary and credit policy was envisaged to contain the current account deficit and to reduce non-discretionary imports.
- **Introduced new monetary tools** - *364-day T-bills, 10 and 15-year securities* were introduced for the government to borrow from the market.

Industrial Policy Reforms

- **Licensing reforms** - *Industrial licensing was abolished* for all industries except 18 environmentally-risky sectors
- **Amended Monopolies & Restrictive Trade Practices** - MRTP Act was repealed to eliminate the need for prior approval for capacity expansion by companies.
- **Increased Private role**- Greater private sector participation was allowed in core and basic industries.
- **Decreased Government control** - Number of industries reserved for the public sector was *reduced to 8 from 17*.
- Small-scale enterprises were allowed to sell 44% equity to large companies.

FDI Policy reforms

- The limit for *foreign equity holding raised from 40% to 51%* in priority sector industries
- *Foreign Investment Promotion Board* was established to streamline the process of approval of FDI.

Telecom Policy reforms

- Introduced a unified access licensing regime for telecom services across the country in his tenure as PM between 2004-14.

References

[The Indian Express| Top Reforms initiated by Manmohan Singh](#)

