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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 f*iscal 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 expenditure*s. • 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except 18 environmentally-risky sectors • **Amended Monopolies & Restrictive Trade Practices** - MRTP Act was repealed to eliminate the need for prior approval for capacity expansion by companies.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