

## 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 give 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.

Concepts/Idea	Process/Activity/Assessment	Learning Outcome
<ul style="list-style-type: none"> <li>- Foreign Exchange Reserve</li> <li>- Foreign Exchange Rate</li> </ul>	Interactive Discussion <u>Discussion Points</u> <ul style="list-style-type: none"> <li>- Foreign Exchange Reserve</li> <li>- Foreign Exchange Rate</li> </ul>	Explain the meaning of foreign exchange reserve and foreign exchange rate. Identify the changes in foreign exchange rates of different countries and prepare a chart showing foreign exchange rates of different countries.
Background of the Reform Policies of 1991 <ul style="list-style-type: none"> <li>- Deficit Budget</li> <li>- Public Borrowing</li> <li>- Inflation</li> <li>- Increase in imports</li> <li>- Decline in foreign exchange reserves</li> <li>- World Bank and IMF</li> <li>- New Economic Policy ( NEP )</li> </ul>	General Discussion <u>Discussion Points:</u> <ul style="list-style-type: none"> <li>- Background of the Reform Policies of 1991</li> <li>- Deficit Budget</li> <li>- Public Borrowing</li> <li>- Inflation</li> <li>- Increase in imports</li> <li>- Decline in foreign exchange reserves</li> <li>- World Bank and IMF</li> <li>- New Economic Policy ( NEP )</li> </ul>	Explain the background of economic reforms of 1991 in India.
Stabilization Measures & Structural Reform Measures <ul style="list-style-type: none"> <li>- Balance of Payment</li> <li>- Inflation</li> </ul>	Interactive Discussion Discussion points: <ul style="list-style-type: none"> <li>- Stabilization Measures &amp; Structural Reform Measures</li> </ul>	Categorize the stabilization and structural reform measures that took

<ul style="list-style-type: none"> <li>- Need for Foreign exchange reserves</li> <li>- Efficiency of the economy</li> <li>- International competitiveness of the economy</li> <li>- Rigidities in the Economy</li> </ul>	<ul style="list-style-type: none"> <li>- Balance of Payment</li> <li>- Inflation</li> <li>- Need for Foreign exchange reserves</li> <li>- Efficiency of the economy</li> <li>- International competitiveness of the economy</li> <li>- Rigidities in the Economy</li> </ul>	<p>place in India.</p> <p>Define BoP.</p>
<p>Liberalization</p> <ul style="list-style-type: none"> <li>- Meaning of liberalization</li> <li>- Deregulation of Industrial sector <ul style="list-style-type: none"> <li>• Removal of restrictions on Industrial sector</li> <li>• De-reservation in small scale sector</li> <li>• Abolishing industrial licensing</li> </ul> </li> <li>- Financial Sector Reforms <ul style="list-style-type: none"> <li>• Meaning of Financial Sector</li> <li>• Revised role of RBI</li> <li>• Establishment of Private sector banks</li> <li>• Foreign Institutional Investors ( FII )</li> </ul> </li> <li>- Tax Reforms <ul style="list-style-type: none"> <li>• Meaning</li> <li>• Fiscal policy</li> <li>• Reforms in Direct and Indirect taxes</li> <li>• Corporation Tax Reforms</li> <li>• Tax simplification</li> <li>• Lowering tax rates</li> </ul> </li> <li>- Foreign Exchange Reforms <ul style="list-style-type: none"> <li>• Devaluation of rupee</li> </ul> </li> <li>- Trade and Investment policy Reforms <ul style="list-style-type: none"> <li>• Efficiency of industries</li> <li>• Adoption of modern technologies</li> <li>• Abolishing</li> </ul> </li> </ul>	<p>Seminar</p> <p>Topic:- “ Liberalization, Privatization and Globalization in India”</p> <p><u>Points:</u></p> <p>Liberalization</p> <ul style="list-style-type: none"> <li>- Meaning of liberalization</li> <li>- Deregulation of Industrial sector <ul style="list-style-type: none"> <li>• Removal of restrictions on Industrial sector</li> <li>• De-reservation in small scale sector</li> <li>• Abolishing industrial licensing</li> </ul> </li> <li>- Financial Sector Reforms <ul style="list-style-type: none"> <li>• Meaning of Financial Sector</li> <li>• Revised role of RBI</li> <li>• Establishment of Private sector banks</li> <li>• Foreign Institutional Investors ( FII )</li> </ul> </li> <li>- Tax Reforms <ul style="list-style-type: none"> <li>• Meaning</li> <li>• Fiscal policy</li> <li>• Reforms in Direct and Indirect taxes</li> <li>• Corporation Tax Reforms</li> <li>• Tax simplification</li> <li>• Lowering tax rates</li> </ul> </li> <li>- Foreign Exchange Reforms <ul style="list-style-type: none"> <li>• Devaluation of rupee</li> </ul> </li> <li>- Trade and Investment policy Reforms <ul style="list-style-type: none"> <li>• Efficiency of industries</li> <li>• Adoption of modern technologies</li> <li>• Abolishing Quantitative Restrictions</li> <li>• Abolishing Tariffs</li> </ul> </li> </ul>	<p>Explain Economic Reforms ( LPG ) of 1991.</p> <p>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.</p>

<p>Quantitative Restrictions</p> <ul style="list-style-type: none"> <li>• Abolishing Tariffs</li> <li>• Removal of Import Licensing</li> <li>• Removal of Export Duties</li> </ul> <p>Privatization</p> <ul style="list-style-type: none"> <li>- Meaning of Privatization</li> <li>- Conversion of Public companies into private companies</li> <li>- Disinvestment</li> <li>- Maharatnas, Navaratnas, miniratnas</li> </ul> <p>Globalization</p> <ul style="list-style-type: none"> <li>- Meaning of Globalization</li> </ul>	<ul style="list-style-type: none"> <li>• Removal of Import Licensing</li> <li>• Removal of Export Duties</li> </ul> <p>Privatization</p> <ul style="list-style-type: none"> <li>- Meaning of Privatization</li> <li>- Conversion of Public companies into private companies</li> <li>- Disinvestment</li> <li>- Maharatnas, Navaratnas, miniratnas</li> </ul> <p>Globalization</p> <p>Meaning of Globalization</p>	
<p>Outsourcing</p> <ul style="list-style-type: none"> <li>- Meaning</li> <li>- Information Technology</li> <li>- BPO or Call centers</li> <li>- Internet, text, voice and visual data</li> <li>- Degree of Skill and Accuracy</li> <li>- Skilled manpower</li> </ul>	<p>Interactive Discussion</p> <p>Topic: “Outsourcing and how it helps Indian Economy”.</p> <p>Points:</p> <ul style="list-style-type: none"> <li>- Outsourcing</li> <li>- Meaning</li> <li>- Information Technology</li> <li>- BPO or Call centers</li> <li>- Internet, text, voice and visual data</li> <li>- Degree of Skill and Accuracy</li> <li>- Skilled manpower</li> </ul>	<p>Explain the meaning of Outsourcing. Identify various favorable conditions prevailing in India which make outsourcing possible. Explain how Outsourcing helps India.</p>
<p>World Trade Organization</p> <ul style="list-style-type: none"> <li>- GATT</li> <li>- Bilateral Trade Agreements</li> <li>- Multilateral Trade Agreements</li> <li>- Removal of Tariff and Non-Tariff Barriers</li> <li>- Market Access</li> </ul>	<p>Read the table showing</p> <ul style="list-style-type: none"> <li>- Formation of WTO</li> <li>- Aims of WTO</li> </ul>	<p>Explain the functions and aims of WTO.</p>
<p>Assessment of Economic Reforms in India</p> <ul style="list-style-type: none"> <li>- Increase in GDP</li> <li>- Increase in Foreign Direct Investment</li> <li>- Increase in Foreign Institutional Investment ( FII )</li> <li>- Growth and Employment</li> <li>- Reforms and Agriculture</li> <li>• Reduction in public</li> </ul>	<p>Debate</p> <p>Topic: “Impact of Reforms in India is good”</p> <p>Group I – For the motion</p> <p>Group II – Against the motion</p>	<p>Critically analyze the impact of Economic Reforms ( LPG ) and prepare a debate report.</p>

<p>investment in agri. Sector.</p> <ul style="list-style-type: none"> <li>• Decelerating Growth rate</li> <li>• Increase in cost of production</li> <li>• Adverse effect of policy changes</li> <li>• Increased international competition</li> <li>• Export oriented production</li> <li>• Upward pressure on prices of food grains</li> </ul> <p>- Reforms and Industrial Sector</p> <ul style="list-style-type: none"> <li>• Slowdown in industrial growth</li> <li>• Cheaper imports</li> <li>• Uneven competition from developed nations</li> <li>• Lack of Infrastructural facilities</li> </ul> <p>- Disinvestment</p> <ul style="list-style-type: none"> <li>• Undervaluation of public sector units</li> <li>• Loss to govt.</li> <li>• Uneconomical use of money from disinvestment</li> </ul> <p>- Reforms and Fiscal Policies</p> <ul style="list-style-type: none"> <li>• Limited growth of public expenditure In social sectors</li> <li>• Reduced tax revenues</li> <li>• Reduced customs duties</li> </ul>		
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## 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 black board 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 in to 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, De regulation of industrial sector, financial sector reforms, tax reforms, foreign exchange reforms, trade and investment policy reforms etc.

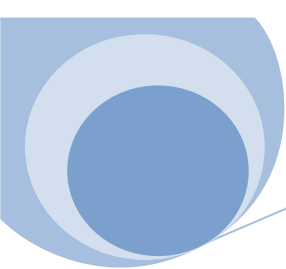
On the basis of the above concepts, the students are divided in to five groups and assign each group an area and ask them to collect and analyse the facts and let them to present seminar paper. Teacher provides sufficient materials and persuade the students to involve activity in the seminar discussion. 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

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- 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

A	B
GATT	1991
Economic reforms	1995
WTO	1948

A	B
GATT	1948
Economic reforms	1991
WTO	1995

5. Give two sources of government revenue.

**Scoring key :** i) Taxation

ii) Income from the public sector undertakings