

Structural Improvement to Accelerate Reform Based Economic Progress

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ABSTRACT: Indian economy had chequered past with slow growth phase post-independence and economic revival with rolling out of liberalisation policy in 1990s. Indian growth story was not impressive at all in few decades after independence in 1947. Soviet pattern of socialist economy was laden with bureaucratic control, red tape-ism and state dominance that impeded growth prospect in every possible sector. Post liberalisation economic scenario remained transformative as India emerged as service driven and viewed by rest of the world as back-office of the world. Although India was always dwarfed by spectacular growth of south east Asian tigers such as Hong Kong, Taiwan, Singapore, and South Korea. Successive governments in centre failed to uplift infrastructural facility and utilize demographic dividend optimally. India had been a prominent market for global multinationals owing to consumer base and accommodative outlook of people. There was rise in computerisation, technological integration and consumerism since liberalisation started gaining momentum. India made a mark in software services and poised to expand its manufacturing sector as well as service industry to create employment opportunity and stimulate economic progress. India is now at the threshold of digital revolution with digital India commenced in 2015. Demonetisation drive in 2016 and GST roll out in 2017 provided necessary stimulus for digitization. Private telecom giants such as Airtel, Reliance and Vodaphone remained proactive in offering data and calling facility to people at an affordable rate. Pandemic in 2020 propelled digitisation drive manifold and paved the way for future digital proliferation. Better ranking in ease of doing business, government policy measure, foreign capital and technology transfer, collaborative approach from private enterprise and progressive mindset of masses can take the economy to higher trajectory of growth.

KEYWORDS: *Economic reform, Structural improvement, Policy measure, Foreign Capital, Digital drive, Business environment, Capacity development, Private investment*

I. INTRODUCTION

India is one of the prominent emerging nations with an ambition to be 5 trillion economy by 2025. Indian economy had a checkered past with central command approach in socialist society post-independence to liberalization in 1990s and annulment of notorious license raj to open up economy for foreign capital, private investment and foreign multinationals. Agro-based economy made transition for service driven economic way forward. There were gradual open up of sectors such as telecom, aviation, banking and insurance, power and postal services for private business groups which languished under strict dominance of government enterprise. The autonomy and monopoly power of public sector enterprises had been done away with and private business had a spectacular rise with liberal policy measures by center and states of India. Foreign capital, technology and managerial outlook brought innovation,

efficiency and competitiveness in Indian business sphere. MRTP of 1969 and competition act of 2002 assured level playing field for existing merchants and encouraged entry of new players unwaveringly. Market became consumer driven decimating producers' overpowering stature. Consumerism drive remained pervasive in open market environment where local producers confronted headlong with foreign multinationals in offering merchandise and services.

India had its stint of industrialization in 19th century. India's planning commission came in 1951 and started to roll out five-year plans with target-based approach. Second five-year plan from 1956 to 1961 concentrated on heavy industrialization as per Mahalanobis model and went on developing of railway lines, power projects, coal mines, steel plants. After prolonged autarkic restriction liberalization emerged in 1980s with initiation of sixth five-year plan in 1980 when Nehruvian socialism was abandoned and decentralization germinated slowly. Foreign exchange

scarcity, balance of payment crisis, oil price hike owing to Gulf war opened the channel for liberalization in India. The structural reform initiated under guidance of World bank. The change from centrally planned economy to a market-driven one occurred with dismantling of trade barrier and welcoming of foreign investment. India became founder member of WTO in 1995 and championed the cause of free trade and economic collaboration. 21st century had been tumultuous as India embarked on transformative journey and sustainable change got aligned with multipolarity model. India excelled in information and communication technology and succeeded to receive ample outsourced projects from western hemisphere which enabled India to earn 'back-office-of-the-world' title. India suffered two major economic jolts during Asian financial crisis of 1997 and global recession of 2008 but never turned face from globalization ideology. Ruling government changed at center in 2014 and NDA swayed people with development agenda. Planning commission was replaced by Niti Aayog in 2015 and 12th five year plan(2012-2017) seemed irrelevant as complex economic environment failed to provide clear projection for longer time duration. Modinomics was saddled with reform initiatives and tried to plug age-old loopholes prevalent in the system. Indian reform process reverberated in decentralization and disinvestment prerogatives, stabilization of financial system, improvement in telecommunication service, quintessential insolvency and bankruptcy code, empathetic labour law enforcement, farm bill introduction for agricultural modernization. India would take time to come to the term with reform measure and show result in economic performances eventually.

OBJECTIVES OF THE STUDY

The principal objectives of the research paper are expressed below-

- i. To show the structural improvement prerequisite for India to deliver economic performance.
- ii. To highlight need of capacity development, harnessing power of human capital, infrastructural upgradation and amelioration of business environment to turbo charge India's economic spirit.

II. METHODOLOGY

The Descriptive and analytical process were undertaken to carry out the research operation on abovementioned theme. The concept of structural reform to boost up economic framework is something significant in economics domain. Economic progress is a matter of grave concern when pandemic jeopardised economic performance of countless nations across the globe unimaginably. Epistemological exertion remained vital in comprehending utility of reform process. Ontological apparatus assisted to demystify role of structural upgradation as a driving force for economic prosperity. The exploratory voyage continued to search

about relevant evidences and facts. Secondary data had been explored to unearth statistical records coherence with subject matter. Research papers, articles in reliable websites, books, cases, reports in eminent periodicals had been rummaged through to gather copious convincing information on research topic. Analytical points of view were narrated to present a comprehensive ideology of reform-based recovery and economic resurgence. The research paper would have credence in its own merit of systematic and substantial delineation of logical contents. Structural reform, switching to prolific patten and getting economy prepared for cyclical fluctuations and long-term sustainability is of paramount importance. Further research can be pursued to judge conscientiously about theoretical prudence and practical applicability of reform-based stimulus measure.

III. LITERATURE REVIEW

Economic reform remained topic of supreme concern since classical period. Adam Smith (1776) in his book 'The Wealth of Nations' referred about significance of division of labour, specialisation needed for enhancement of productive capacity of society. Britain found mercantilism and industrialization as route to economic prosperity which served capitalist class to great extent. In the work by David Ricardo published in 'Principles of Political Economy and Taxation' (1817), we find evidence of market strength and labour cost involved in production existed in competitive condition. Classical economists from Adam Smith to J S Mill were in favour of surplus production, market expansion, free trade and exchange driven economic growth. German political and economic thinker Karl Marx has referred about capitalist system in his book Das Capital (1867) and also narrated gruesome facts of exploitation of labour to create surplus value and harvest of profit. He delineated about class struggle, revolution by workers or proletariat and downfall of capitalism with establishment of communism. Over decades, ideological clash continued between capitalism and communism. The tussle intensified during cold war period at the end of WWII where two economic stalwarts US and USSR were at loggerheads. Capitalism superseded its opponent with disintegration of USSR and it heralded downfall of communism. China's ascendance to economic superpower in 21st century and improvement of Russian economy led the ideological debate open again.

Austrian-born economist Joseph Schumpeter (1942) derived the term 'Creative Destruction' from work of Karl Marx and placed it at the core of capitalist system. He illustrated about constant innovative approach in product and process. As per his analysis business cycle with expansion and contraction remained connected with increases or decrease in productivity, consumer confidence, aggregate demand, and prices. Post WWII economic development approaches focussed on categories like linear well-defined stages of growth, features and framework of structural improvement, revolution based on international developments and finally

neoclassical guided free-market counterrevolution. The big push model by Paul Rosenstein-Rodan (1943) stressed on massive investment for underdeveloped nations to embark on self-sustaining growth path. He opposed vehemently about bit-by-bit investment program which would not assist in overcoming backwardness. As per his opinion, substantial resource allocation for development activities and economies of scale for mutually dependent industries would launch economy on progressive path. 'Big Push' propositions to development was antagonised by Albert O. Hirschman. He went ahead with his explanation about unbalanced growth (1958) with publication of his book 'The Strategy of Economic Development'. Albert O. Hirschman encouraged disequilibrium as it might work well to mobilize resources and stimulate growth in developing nations which lacked decision making skill. There was the reference of higher forward and backward linkages for industries where investment might propel projects to accomplishments. British economist Joan Robinson discussed about population growth issue in developing economy and deciphered how it affects capital accumulation and output growth in his model 'The Accumulation of Capital' in 1956. Although it was marred with criticism for rigid assumptions like closed economy, constant price level and technological stagnation but it depicted subtle factors economic growth in capitalist rule of the game. Ragnar Nurkse(1953) expounded his idea with balanced economic growth theory where he showed role of government in underdeveloped economy to stimulate growth through simultaneous investment in several industries. He identified interrelatedness of various economic activities and emphasized on resultant impact of investment into selective industries or sectors to catapult economic growth. In the 'The Theory of Economic Growth' Arthur W Lewis (1955) offered an ideal framework for economic development. In his two-sector model, it is clearly narrated that there could be transfer of labour from traditional agriculture sector to modern industrial sector. Industrial sector will engage surplus labour force from rural area whose marginal productivity is negligible and this initiative would trigger industrialisation. Labour force would better off with comparatively higher wage rate in industrial sector. Lewis model also shed light on rate of capital accumulation in modern sector which would determine employment creation and growth rate. But this theory would be redundant in 21st century when technology is ruling the roost and labour replacing technology such as robotics and 3D printing making manufacturing and construction less labour dependent. Neoclassical economists Robert Solow and Trevor Swan (1956) explained about necessity of capital accumulation, population growth driven labour force enhancement and rise in production. In Solow-Swan model, labour, capital, and technology remained instrumental for economic growth. American economist Walt Whitman Rostow (1960, 1971) propounded his growth theory with unambiguous five stages such as traditional society, preconditions for take-off, take-off, drive to maturity, and

age of high mass consumption. This theory created a furore and faced backlash as it didn't incorporate policy measure and economic uncertainty. Abhijit V. Banerjee and Esther Duflo(2019) mentioned about predicament and solution of world economic crisis in their book 'Good Economics for Hard Times' where topic of discussion hovered around slowing economic advancement, immigration, income inequality, climate change, globalization and technological unemployment.

IV. ECONOMIC ENVIRONMENT AS SUPPORTIVE STRENGTH FOR BUSINESS

India in 21st century rightly hold its luminous position in global economy. It succeeded in demonstrating resilient power in the wake of global meltdown, trade war, geopolitical tension, economic recession and pandemic. Indian scientists, research scholars, medical practitioners, engineers, economists are revered across the world for their unparallel knowledge, intelligence, dexterity and discerning power. The hope to be global supply chain hub and taking a lead in manufacturing activities in foreseeable future was well aspirational about Asian potential giant. Although all was not glorious with Indian economic past. India remained stuck in unbalanced growth and income inequality, deprivation and despair remained tormenting reality for vulnerable section of society. Although liberalisation claimed to lift millions of masses from abysmal poverty but trickle-down effect was mostly illusive. Struggle for existence remained pervasive for majority of masses for decades. Pradhan Mantri Jan Dhan Yojana (PMJDY) of 2014 acted as empowering scheme for disadvantaged which opened millions of bank account for direct fund transfer by centre and more than 50 percent accounts are held by women as of International Women's Day record of 2021. Pradhan Mantri MUDRA Yojana (PMMY) of 2015 provided impetus to thousands of budding entrepreneurs who received funding for growth and continuation of business proceedings. Start up movement of 2016 boosted the spirit of innovativeness in India and cultivated entrepreneurial enthusiasm with guidance, encouragement, financial assistance, collaborative exercise between industry and academia and incubation support. Accelerators are also doing a commendable job with intense training and mentoring of thousands of start-up groups to promote business successfully. Accelerator ends up offering much needed seed capital and peripheral services such as legal counselling, offering of marketing strategy and cooperation in fund management. New age technology calls for new skill set. There would plethora of new jobs during industrialisation 4.0. Every year about 10 million people join workforce and lack of required skill set deter employment prospect. Skill India Mission launched in 2015 with a lofty target of imparting numerous training 40 crore people by 2022 acted as necessary cog in the wheel of livelihood and dignity of labour when Indian economy was marred in 2019 with worst possible unemployment in decades.

V. EASE OF DOING BUSINESS FOR BUSINESS ECOSYSTEM

Economy thrives on physical asset, labour force participation and productivity of goods and services. Agro based economy is traditional and fail to provide necessary social upliftment and economic progress. Large scale industrialisation, entrepreneurial spirit, scope of innovation and supportive business ecosystem can propel economic development. The prospect of foreign capital and technology become ripe when economic performance is promising and business environment is conducive. India made some advancement in initiation of business, receiving of construction permit, electricity connection and cross border trading. There is room for improvement in resolving insolvency, contract enforcement, tax payment and property registration. India made a giant stride in ease of doing business as it scaled up from 142 ranking in 2014 to 63 ranking in 2019 as per report published by World Bank. India is one of the premium emerging nations with capability to be economic superpower. Trade war induced recession in 2019 and pandemic led disruption in 2020 caused massive economic loss. Central govt of India rolled out stimulus package worth Rs 1.19 lakh crore to confront healthcare challenges, to provide production linked incentive for ten sectors and invigorated research work necessary for vaccination and logistic facility for distribution. India received praises from WHO and rest of the world for shipment of vaccine doses worth in crores to about 70 nations. In union budget of 2021, central government emphasized on massive layout for infrastructure development, railway network and development of digital facility. This road map of capital expenditure led growth momentum is in tune with fiscal multiplier proposition by British Economist John Maynard Keynes of 20th century. He defied classical approach of economic autocorrection and propounded about state intervention to rectify economic irregulars with govt funding in the wake of great depression of 1930. However, worst was in the waiting when economic activities suffered due to second wave of virus spread since March end 2021 and nation caught off guard with scarcity of medicine, hospital beds, oxygen supply, vaccine and stressed medical staff to deal with mounting infection rate and death toll. India would have to go a long way to improve its education, healthcare, housing facility, food security, social justice and civic infrastructure to upscale its position in human development index and to ensure beneficial outcome of economic reform for all.

ANALYSIS OF REFORM BASED ECONOMIC PROGRESS

Economic growth and economic development are used interchangeably in economic forum quite often although there is difference in concept. Economic growth is dependent on utilization of resource factors such as land, labour, capital, entrepreneurship and resultant impact of output growth. The

growth indicators might be useful for determining economic stability but it doesn't present true picture of society. Economic growth is depicted with GDP growth rate, rise in per capita income, savings rate, capital formation, industrial productivity, sector wise contribution to GDP, foreign direct investment and status of foreign exchange reserve. But it fails to provide the impact of growth on lives of masses. Economic development highlights how growth has translated into improvement in quality of life for people living in the economy. Economic development is concerned about fulfilment of basic needs and trickle-down effect of much hyped growth. If growth is on progressive trend but majority of masses struggle to make both ends meet or live in deprivation, growth narrative would lose out of steam or be derailed from its real purpose. Structural reform should be sector specific. On one hand it would ensure food security, universalisation of education, remunerative occupation and dignity of life for all. On the other hand, it would channelise resources for township planning, industrialization, transportation, energy supply and better amenities for all. Modern world has technological affinity and technology is changing at faster pace. Structural development would try to make people aware of this transition and enable them to have command over it and make the most of opportunity offered by new set up. Infrastructural upgradation and institutional facility would create support system. Education, training and skill development would be of paramount importance to make people reap the benefit of tech dominated economic system. Liberal democracy, free market atmosphere, liberalisation drive and interdependence among nations would make economies competitive, encourage transparency in transaction and interaction and make government accountable for people, environment and sustainability. Government across economies must pay heed to core values of development such as sustenance, self-esteem and freedom for people in preparation and implementation of economic measure, policies and programs.

VI. CONCLUSION

Structural reform should not be viewed as fancy fad. It is rather archetypal instrument to set right economic anomalies. Economies across the world went through revolutions. Dynamism had been at the core of economic system and structure. Agriculture revolution of mid-17th century was to ensure enough food production for growing population and establishment of agro-based society and market place. Process of mercantilism in 16th century Europe spearheaded economies to accumulate wealth and have positive balance of trade. Industrialisation of 18th and 19th century called for massive factory-based output to fulfil need of burgeoning human society. Post-world war nations of the world tried to unify and gave weightage to globalisation driven interdependence. Nations had to adopt liberalisation process to gain value through mutual cooperation and interdependence. Globalisation movement of 20th century gained traction with government support and policy measure

that favoured resource utilisation, technology transfer, market access and dizzying competition. Ample evidence can be cited such as stratospheric rise of Asian tigers, astonishing growth of developing nations in Asia, Latin America and Africa who developed institutional facility, adopted market economy, implemented policies supported foreign fund flow, technology transfer, acquisition of outsourced venture and paved their avenue for GDP growth, rise in per capita income and eventually realised holistic improvement. There were strange developments in 21st century with rise of terrorism, geopolitical tension and wave of populism swept through nations to reinforce nationalist sentiment. The popularity of tech devices and use of sophisticated gadget remained unabated. High end telecommunication service, internet connectivity, broadband network and data service contributed social revolution where social media and networking sites caught people across geographies with unmatched possibilities. Trade war, deglobalisation sentiment, expanse of automation and artificial intelligence and finally pandemic pandemonium put economies in a confusing conundrum. Infrastructural upliftment seemed pertinent to attain competitive advantage, self-reliance, consumption led growth and also opened window of opportunity for export driven economic promotion. There is heightened compulsion for reducing carbon foot print, securing sustainable development and inclusive growth. At the end what matters most is experience of living being and people in civil society and what economy can offer with innovative solutions to protect endangered species, eliminate poverty, hunger, malnutrition, inequality and injustice that appear overwhelming to deal with. Structural improvement based economic reform has the potentiality to offer dignity of life, untrammelled environment, harmony with nature, ecological balance and innovation as well as competition led growth.

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