

Indian Business History
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Lecture – 19
Liberalisation of the Indian Economy: 1990s

Welcome back to Indian Business History. This is going to be lecture 19 and the title of this lecture is, "Liberalisation of the Indian Economy in the 1990s".

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This is Week 8

- Week 8: Liberalization and Contemporary Business Trends
- **Lecture 19: Liberalisation of the Indian Economy: 1990s (We are Here)**
- **Lecture 20: Business Developments in India; India's Energy Diplomacy**
- **Lecture 21: Indian Business History: Trends and Prospects**

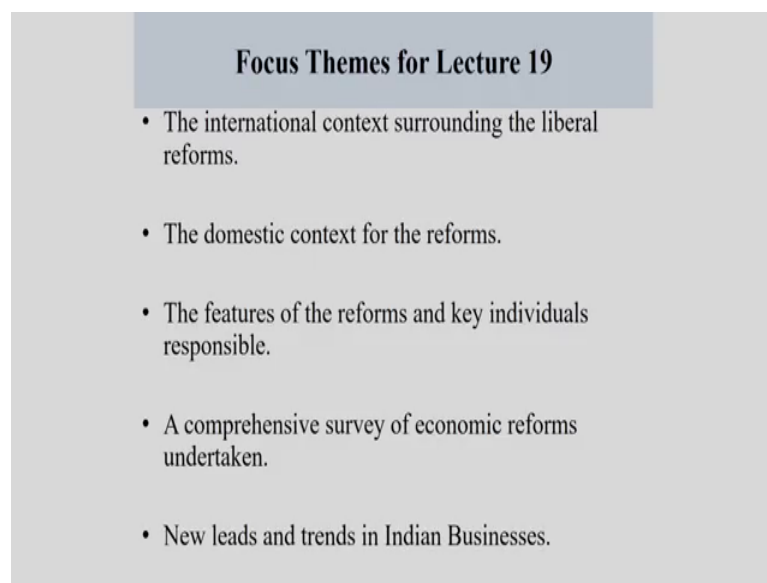
This as you all are aware by now will be week 8 or the concluding and final week of this online course. The main theme of week 8 is liberalisation and contemporary business trends. So, we have moved considerably ahead in our chronology keeping in mind the trajectory of the past couple of past lectures and in keeping with the historical timeline of this course called Indian business history. The final week which is week 8 will deal with a contemporary analysis of past historical trends and how past historical trends, features, institutions and individuals have left their mark on what the economy and the business landscape of India looks like.

So, the main theme of week 8 will be the intellectual historical and analytical discussion of liberalisation and contemporary business trends. This week consists of three lectures. So, lecture 19 which is the present lecture today is a discussion of the liberalisation of the Indian economy in the 1990s, the lecture after that which is lecture 20 will be a more

contemporary discussion of business developments in India and while discussing contemporary trends in the business landscape of India we will also be discussing India's energy diplomacy in this regard.

Lecture 21 which follows lecture 20 will be a general overview lecture in which we will discuss some of the important key trends and prospects for Indian business history as a practical reality in India and we will also do some stock taking on the discipline of Indian business history as well.

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Focus Themes for Lecture 19

- The international context surrounding the liberal reforms.
- The domestic context for the reforms.
- The features of the reforms and key individuals responsible.
- A comprehensive survey of economic reforms undertaken.
- New leads and trends in Indian Businesses.

There are five focus themes for this lecture. So, these five focus themes will guide our discussion for this lecture and will also be important mapping points in order to chart some important historical milestones as far as India's business history is concerned. So, the focused themes for this lecture are as follows.

The first focus theme will be the discussion of an international context surrounding the liberal reforms. It is important to understand the international context because without understanding the global developments in economy, business and politics it becomes a futile exercise to take into account the specific features that mark the advent of liberal reforms in the Indian economy during this period.

The last 200 or 300 years of Indian business history that I have given you an overview of symbolizes the greater integration of India's economic, commercial and business

operations as well as India's economic, commercial and business institutions more closely with their counterparts in Western Europe and North America and generally the world over.

So, the three centuries past of India's economic and business history represents the coming together of India's institutions and individuals and the greater alignment with the priorities, agendas and features of the institutions and commercial activities of the west. So, the impact of international events on India's policy agendas and processes during the 1990s becomes a crucial feature of our study.

Just as Indian developments and Indian institutions and Indian individuals impacted the shape and flavor of business developments across the world, in a similar way business developments across the world and internationally also affected the processes and features of India's business landscape. So, studying the international context surrounding the liberal reforms within the Indian economy during the 1990s will be an important opening exercise in this lecture.

The second focus theme which will allow us a more comprehensive understanding of India's business history in the late part of the 20th century will be a thoroughgoing discussion of the domestic context of these reforms. We will look at the peculiar features of the Indian political system during this time; we will look at certain political trends and economic trends and certain individuals and institutions that played a key part in unleashing the more reformative spirit as far as the Indian economy is concerned.

The third focused theme for lecture 19 will be an extensive discussion of the features of the reforms and also key individuals which were responsible for these reforms. So, we will spend some time in detailing the short biographies of individuals who came to the Indian political landscape in this period and left their indelible legacy as far as defining a new economic charter for the country is concerned. We will also obviously, discuss some of the key proposals of these reforms of the 1990s and we will deal at length their precise significance in lending a unique flavor to the history of this period.

The fourth focused theme will be a comprehensive survey of economic reforms undertaken. So, we will look at in great detail the processes, the relationships and the institutional networks that came in handy when the liberalisation of the Indian economy began in the 1990s. So, this theme will allow us to have a more comprehensive

understanding of the ways in which the political context fosters an ecosystem in which individuals, institutions come together and thrash out policy that could have consequential

impact on not just the economy, but also on the nature of commercial, economic and industrial operations.

The fifth focused theme will be obviously, a discussion of the new leads and trends in Indian businesses. We will look at the decisive impact that certain reforms had on different sectors of the Indian economy and business and by looking at the impact that those reforms have had on different sectors we will try and see the specific avenues of business and entrepreneurial activities that responded most creatively to these reforms of the 1990s.

In the past two lectures as you may have noticed we have always try to keep theory and practice intact in these lectures, so that policy interventions and policy proposals could be given a more definitive basis for understanding by giving you certain important illustrations. In the same way this lecture will also try to marry together proposals, policy proposals, governmental directives and international regulations by giving you a flavor of what the impact of these policy proposals whether domestic or international was on the Indian economy.

So, while we will discuss comprehensively the whole philosophy guiding the reforms in India in this point we will also try and combine it with giving you specific examples to give you an idea of the ways in which businesses in India practically responded to this new regime of economic laws and regulatory frameworks. So, chronologically speaking we move our story of India's business history away from the 70s and 80s and we will now look at the ways processes and networks through which License Raj came to be de-licensed.

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The International Context: Key Moments

- **Nov 1989:** Berlin Wall is demolished ; Germany Unified into one nation.
- **Gulf War:** Led by US to oppose Iraq's annexation of Kuwait
- **Abolition of Apartheid**
 - **Nelson Mandela** becomes South Africa President, 1994

Starting first with the international context and some of the key moments that you have to remember while dealing with the international history of this period are as follows.

Now, certainly the decades of the 80s and 90s were ripe with immensely important historical milestones depending on the region and country where people located themselves during this period. Yet, for our understanding and to make India's business history a more globalized affair in order to understand the linkages that connect India's business history with forces and trends worldwide certain key moments are worth remembering and worth keeping in mind when assessing the full impact of global ideas on India's economy.

So, the key moments of the international context in the last part of the 80s and the early part of the 90s were as follows. The first key event that you have to remember is in November, 1989, when the Berlin wall is demolished and Germany is unified into one nation. The falling of the Berlin wall was not just a symbolic event, but also a great historical event which witnessed the change in the balance of power as far as the Cold War is concerned.

The Cold War was essentially a conflict between two opposing factions led each by the United States and the erstwhile Soviet Union and this Cold War was not just a military buildup of rival forces, but was also a political, ideological war in which communist ideas competed for influence against the ideas espoused by the United States and certain other advanced economies of North America and Western Europe.

So, the coming down of Berlin wall a city that itself was divided because of the Cold War politics and the subsequent unification of Germany into one nation represented a profound break in Cold War politics and also witnessed the gradual steady domination of ideas emanating from the West chiefly the United States and the gradual eclipsing of ideas emanating from Eastern Europe led by the erstwhile Soviet Union. So, in November 1989 the demolition of the Berlin wall also becomes a larger event to mark the demolition of the balance of power that characterized the Cold War.

In the same decade you also have the instance of the gulf war whereby the troops of the United States started opposing Iraq's annexation of Kuwait. So, this was a renewed round of hostilities in West Asia where US troops were called in to assist Kuwait which had been annexed by the Iraqi forces. This localized conflict also became a metaphor for the larger

struggle being waged by US led alliances in order to engineer the dominance of their political, economic, institution and cultural ideas across the world.

While the roots of the gulf war may have been local or inter regional in their primacy giving rise to the gulf war. The intervention of US forces in the gulf war represented a significant internationalization of the conflicts that had become all too common in West Asia at this point. So, just as the demolition of the Berlin wall represented the demolition of the balance of power that characterized the Cold War, the gulf war in the same decade represented the internationalization of conflicts emanating in other parts of the world.

In 1994, there is a significant milestone achieved as far as race relations and social history is concerned and also political history in Africa and across indeed the world whereby the abolition of apartheid becomes one of the most significant political events to have ever taken place in the modern 20th century history of South Africa. As a result of the abolition of apartheid you see the arrival of Mister Nelson Mandela as the South African President as the first black South African President and the abolition of apartheid also brings to a close the unsavory chapter of segregation of people based on the color of their skin in South Africa.

So, depending on where you are located in the world the last part of the 80s and the early part of the 90s was a historic group of years in which momentous events took place in a short space of time and revolutionized the character of their economy, politics or their social or cultural history or their institution history depending on the nature of the event that you discuss.

So, as far as the international context is concerned certain key moments that took place in certain parts of the world gave a new meaning to the long standing historical trends that had come to define the global system of politics until now.

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The International Context

- **Dissolution of the USSR, 1990-91**
 - Impacts Soviet System and its influence.
 - Dominance of the US led world order
 - End of the Cold War
- Gradual, steady move towards an international order: **Politically Reformist, Economically pragmatic and open**

To keep up with our discussion of the international context of this period one of the most significant political developments ever to have taken place in this part of the 20th century was the dissolution of the erstwhile Soviet Union.

The dissolution of the USSR into autonomous republics into different states that now border West Asia and is now informally characterized as the central Asian republics impacted the soviet system and its influence deeply. So, just as the Berlin wall was being demolished in 1989 you also see a steady gradual and successive collapse of the soviet system whereby its ultimate collapse was marked by the arrival of a collection of central Asian republics who broke away from the soviet system and proclaimed themselves as autonomous sovereign republics at this point.

So, the breakup of the Soviet Union was therefore, not just a political breakup, but also ideologically speaking and in the context of the last days of the Cold War, the breakup of the Soviet Union represented a profound defeat for the political system of the Soviet Union and also for the ideas that were emanating from the soviet political system during this time.

The dissolution of the Soviet Union was also marked by the parallel rise of the US led world order. So, the fall of the Berlin wall and its quick follow up by the breakup of the Soviet Union made the united states as the sole country in the world that could exercise its dominance and could exercise enormous cultural influence and institutional influence as far as its economic ideas are concerned.

So, with the breakup of the Soviet Union and the defeat experienced by communist ideas and their role in organizing successful economies in different parts of the world it was left to the United States to project internationally an image of stability and political union and their role in projecting ideas of successful economic organization more competitively across the world.

So, the last days of the Cold War were not just the last days of political systems withering under immense institutional and popular stress it was also an era in which the ideas championed by the advanced economies of Western Europe and the United States held a decisive amount of sway over the public opinion of people across the world.

So, just as the Soviet Union is breaking up this becomes then an important political milestone and a metaphor to mark the end of the Cold War in the 20th century. The Cold War had its origins in the post second world war context whereby different camps led by either the United States or the Soviet Union decided to fashion the world or compete for influence in different parts of the world in order to champion their economic and political causes. But with the breakup of the Soviet Union and the unification of Germany the end of the Cold War was witnessed by all the political and historical observers during that time.

So, what is really the benefit or the priority in outlining an international context as far as the Indian economy is concerned well as you may have noticed some of the key moments in the international historical order as I have just outlined had a particular role and contribution in defining some of the terms through which the world order became more comprehensible to the people living at that point. So, whether it is the demolition of the Berlin wall, whether it is the gulf war or whether it is the breakup of the Soviet Union or the end of apartheid or race related segregation in South Africa. There was a gradual steady move towards an international order which was politically reformist and economically pragmatic and open.

So, the reason why we study international developments and especially in the context of studying the liberalizing reforms of the Indian economy in the 1990s is to give you a flavor of what the global trends in politics, economics and institutional development were at this point. Globally, in major parts of the world there was a move away from oppressive, politically dogmatic ideas into the more liberal atmosphere in which the economy politics

and society could be thought in renewed terms and plans for the reinvigoration of the politics and society of this period could be thought through a different tremor.

So, when we outline the international context of the late 80s and early 90s, the idea is to give you a sense of the trends which was sweeping across the shores of the world at this point and also to give you an idea of the ecosystem of ideas that were operating in this point and which influenced different people and institutions and governments and nation states differently.

But, the general trend that you can witness in the last part of the 80s in early 90s was that significant sections of the world at this point were moving towards contexts that allowed them to become politically reformist and as far as the economy is concerned the disruption experienced in the soviet system and the gradual consolidation of the US-led economic order signified that economically at least pragmatic, liberal and pro trade ideas were increasingly visible on the horizon.

So, the international context whether it is a discussion of political events or economic events is crucial to understand the ways in which India or Indians also witnessed these global events and how they took their cue from international events to try and find a new vocabulary for a new economic and political identity for themselves in that or within that international order.

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Reasons for Liberalisation in India

- Dwindling Foreign Reserves
- Sagging Exports
- Inhibitory Licensing and Regulatory Frameworks
- Promote Entrepreneurial growth
- Keep up with global reformist, open ideas relating to economy and trade.
- Institutional Overhaul of PSUs etc.

Now, there are a few reasons as to why liberalisation was undertaken in India in the first place. One of the first reasons that made the political machinery in India most sensitive to the growing demands for liberalizing its economy and the political machinery responsible for reformulating the economy was the spectacle of dwindling foreign reserves. Years of regulatory frameworks and curbs put on industrial production and manufacturing and regulatory controls put on export and import processes had led to a crucial loss of the foreign reserves that had been carefully built up within India in these decades.

So, the perilous nature of foreign reserves left in India at the turn of the 1990s was a convincing reason for the government of the day to invoke credible robust reforms in order to liberalize the economy and build up a critical reserve of foreign currency to tide over future economic or commercial emergencies. So, the obvious foremost trigger for invoking significant economic reforms in India was the dwindling foreign reserves in India and the need to build up a stock of those foreign reserves in order to meet any future economic and commercial emergencies.

The second important reasons that was felt responsible for unleashing liberalisation in Indian economy in the 1990s was that exports from India to other parts of the world was sagging. It is widely felt that rising exports from a given country are a credible indicator of the economic health of the country in question and the sagging or dwindling nature of exports from India cumulatively from the 70s, 80s until about the late 90s or the early 90s was seen as a critical indicator of certain economic and important steps that would have to be taken in order to not just make the exports rise up, but also to refurbish the precise nature of the economy that could create a context in which export or exports would rise in the future.

So, sagging exports became a symbol of what was ailing the Indian economy precisely during this period and in order to showed up India's exports it was felt that more thoroughgoing reforms would have to be taken in the Indian economy not just to hit the exports high up, but also to relief some of the critical indicators of the Indian economy.

The third important reason that was responsible for unleashing a new philosophy and a new spirit guiding reforms in India in the 1990s was that there was now a systemic and

institution wide sentiment that wanted to do away with inhibitory licensing and regulatory frameworks.

The regulatory frameworks or the License Raj as you know from our past lectures was introduced in India precisely to keep controls on the private sector and to make the state a more active player in guiding the economic fortunes of the country. The pre-colonial history of India was or did play an important role in informing successive governments in India after 1947 that the state needed to take active control of the economic affairs not just to guide the industrial and manufacturing capabilities of the state, but also for the state to be able to fulfill its constitutional obligations as far as service delivery towards its citizens is concerned.

So, out of its need to make India self-reliant a more productive state, but also conscientiously committed to the social welfare of its citizens, it was felt that planning and regulatory frameworks like the system of licensing was an important feature. But, towards the 80s and 90s the context had changed and coupled with sagging exports and the loss of precious foreign reserves.

It was felt that the time for these licensing and regulatory frameworks was up and a new guiding spirit was needed to unleash a new wave of reforms that could make the private sector more active player in India's economic affairs and also free the state from some of its commitments in the economic sector that were taking its energy, money and time away from certain other critical area of operations.

So, the philosophy behind the reforms or the economic liberal reforms of the 1990s was to do away with the inhibitory licensing and regulatory frameworks in order to make the private sector a more active player in the entrepreneurial and business affairs of this period.

The fourth reason that was responsible for making economic reforms more digestible and publicly more popular was to promote entrepreneurial growth. It was felt that private sector could play an even more significant part in reviving domestic demand and making the Indian economy more robust in its engagements with the outside economy and making it more robust and to be able to withstand the shocks of the global trends and economic systems at this point.

So, the overall attempt to make the economy more liberal and to unleash certain reformist policy ventures at this point was to rev up the private sector in India and as part of making an ecosystem that could support private businesses it was felt that entrepreneurial growth would be one of the cornerstones of national policy at this point. Individual or institutional entrepreneurial growth was seen as one of the critical sectors that could make the state earn more income and use that more income to try and fulfill its long standing social commitments through other means.

So, one reason as to why economic liberal reforms of the 1990s become so important a topic in our analysis is not just because it comes towards the fag end of a chronological story, but also more importantly it becomes a spectacle in which long standing historical, economic, political and institutional ideas are turned over and a new vocabulary is found to try and give a new economic identity to India during this time.

One of the reasons why it was considered important to invoke those reforms in the 1990s by the government of the day was also to keep up with the global reformist and other open practical ideas relating to economy and trade. With the demolition of the Berlin wall and the breakup of the Soviet system it had profound economic consequences on the world. One of the main economic consequences which could also be studied in collaboration with political consequences was the gradual steady consolidation of ideas emanating and championed by the advanced economies of Western Europe and also chiefly to United States.

A more liberal outlook towards trade, free trade and a focus on dismantling international or interstate trade barriers in order to facilitate the free movement of goods and services was now becoming one of the main themes of the 1990s political vocabulary. So, when we discussed the international context please keep in mind that in the midst of these historical milestones moving across a time scale you also have to see these events as prominent ideas moving from one context to the other.

And, one of the most prominent ideas to have taken root in the latter part of the 1980s and in the early part of the 1990s was this global recognition or at least a near global recognition that ideas relating to free trade and the free movement of people, cultures,

institutions from one place to the other without any restriction was a generally good idea towards solving some of the core economic problems of the day.

So, beneath the brilliance of historical events that we have discussed whether international or domestic, you essentially see the replacement of one set of ideas with the other. So, when the liberalization of the Indian economy is undertaken in the 1990s you see the Indian state, the Indian public and vast sections of the Indian policymakers keeping up with the global trend in adopting reformist ideas. In adopting politically more open ideas on the ways in which societies could be organized and keeping up with more practical pragmatic ideas relating to the economy in which movement of goods and services was facilitated across different political systems without any undue restriction or interference.

Another reason which was responsible for undertaking these reforms in India in the 1990s was that there was a crying need for the institution overhaul of some of the public sector undertakings in this period. We have discussed certain case studies in our past lectures whether it is the railways or the heavy industry or the rural cooperatives sector by the 1990s there was a gradual and steady rising of voices within the government and within different stakeholders in India to try and undertake reforms that could overhaul the institutional mechanism of these public sector undertakings or PSUs.

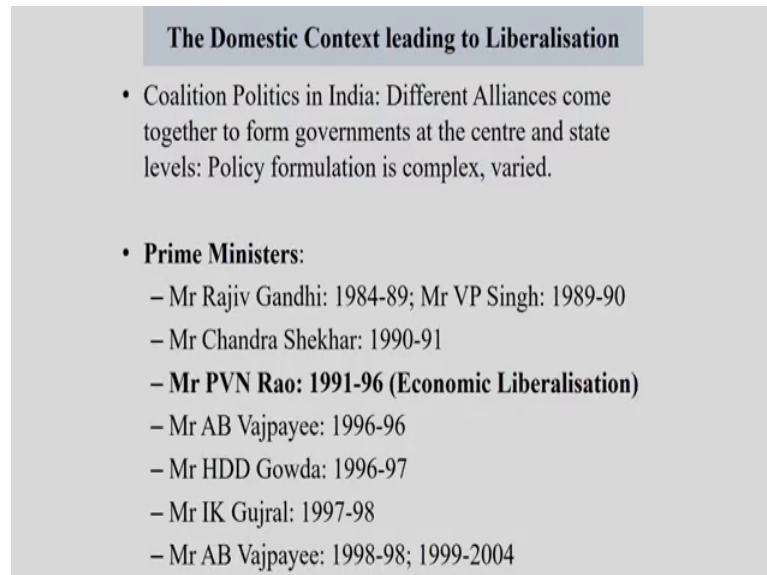
And, there was a need felt for creating a policy institution and governmental ecosystem in which these PSUs could manufacture promote exports and operate and manage themselves more competitively in regards to the developing international framework on free trade and business practices.

So, one major reason as to why the economic reforms of the 1990s become an important site for us to study is because of its ability to provide us glimpses into the ways in which industrial policy by itself was trying to become different from the past industrial policies that we have studied. And, also the need felt for overhauling the institutional and management framework of these PSUs was needed in order to make India's industrial landscape more competitive in response to its western and American counterparts.

So, one major consequence of the ways in which the Indian economy has become more closely aligned with the western economy was the need felt within India by certain stakeholders to make India's own domestic industries as efficient or as competitive as industries in the non-Indian globalized frameworks. So, these were some of the priorities

that were felt or these were some of the reasons that were considered critical for creating an ecosystem in which economic liberal reforms of the 1990s could be carried out.

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The Domestic Context leading to Liberalisation

- Coalition Politics in India: Different Alliances come together to form governments at the centre and state levels: Policy formulation is complex, varied.
- **Prime Ministers:**
 - Mr Rajiv Gandhi: 1984-89; Mr VP Singh: 1989-90
 - Mr Chandra Shekhar: 1990-91
 - **Mr PVN Rao: 1991-96 (Economic Liberalisation)**
 - Mr AB Vajpayee: 1996-96
 - Mr HDD Gowda: 1996-97
 - Mr IK Gujral: 1997-98
 - Mr AB Vajpayee: 1998-98; 1999-2004

Just want to spend some time on detailing the domestic context that was seen critical in the implementation of economic liberal policies in the 1990s. And, the 1990s in India was a different, but historically important spectacle in the Indian political system because not only did it bring forward a new generation of Indian politicians. The decade of the 90s itself was an unprecedented decade as far as governance and governance frameworks in India is concerned.

The early part of the 1990s was an era of coalition politics in India. So, as part of this coalition politics which is basically an alliance of different parties who come together to form national or state based governments within India. You see a succession of different coalition governments taking shape in New Delhi and some of the important states in India. So, the early 1990s the domestic context leading to liberalisation was one in which different coalition governments came together and formed governments and policies at the center and at the states.

While coalition politics was becoming a practical reality of the 1990s, as part of that coalition political system different alliances came together to form governments at the centre and the state levels; while different political stakeholders came together and joined hands in order to make governance more convenient and more practical you also

understand that coalition politics gave rise to a landscape in which policy formulation was complex and it was buried.

Different priorities competed for influence with ideas generating from different alliances and the 1990s therefore, was a unique and unprecedented historical context in India in which different ideas priorities relating to development either from the states perspective or the centre's perspective came together and jostled for influence and official and public acceptability.

So, coalition politics in the 1990s was an era in which different alliances came together and gave rise to a context of policy formulation which was complex varied and differed in its approaches depending on the political parties or stakeholders concerned. As a result of the coalition politics and the era of coalition politics in India, you see a wit or you witness a successive cycles of general elections taking place and you see a wave of succession of different prime ministers helming the affairs from New Delhi.

So, just to give you an example of the rapid turnover of executive authority New Delhi, in 1984 you see the accession of Mister Rajiv Gandhi to the prime minister's office and he serves from 1984 to 1989. He has succeeded as prime minister by Mister VP Singh from 1989 till about 1990. The successor of Mister VP Singh was Mister Chandra Shekhar and he served in the prime minister's office from 1990 to 1991. And, his tenure as prime minister was followed up by Mister PV Narsimha Rao who served in the prime minister's office from 1991 to 1996.

I have highlighted the late PV Narsimha Rao's name because it was under his tenure as prime minister when significant reforms relating to India's economic liberalisation were taken. Mister PV Rao's tenure as prime minister from 1991 to 96 was also a full 5 year term which itself was unprecedented given the context of coalition politics in the early 90s in India. So, the relative stability of his term and the stability of his governments tenure within 5 years was also critically responsible for the way in which economic liberalisation was rolled out in India.

Certain significant economic reforms had been taken before Mister Rao became prime minister, but his 5 year tenureship as the prime minister and the largely political stability that he brought to the national government at New Delhi was seen as responsible for unleashing economic reforms at a regular base at regular intervals in India during this time.

Mister Rao's tenure as prime minister was succeeded by Mister Atal Bihari Vajpayee and he served as prime minister for a short period in 1996 which was followed by the tenure as prime minister by Mister HD Deve Gowda who served as prime minister from 1996 to 1997.

This year long tenure as prime minister of Mister Deve Gowda was followed up by the premiership of Mister IK Gujral who served in the prime minister's office from 1997 to 1998, and this almost a year long tenure as prime minister was then succeeded by Mister Atal Bihari Vajpayee again who served as prime minister from 1998 till about the year 2004.

So, in an era of coalition politics where different alliances with their different economic political social priorities and depending on the viewpoints and world views of different state parties which came together to form these national alliances. Policymaking in India was varied and a really complicated affair in the 1990s. So, for economic liberalisation to take off in an era where policymaking itself was very complex and tough is a testament to the robustness of India's institutions and the commitment that India's national state based and other popular stakeholders had towards economic issues.

So, to move away from the License Raj context towards unleashing a more globalized outlook and profile for India's economy at a time when the political system was under heavy strain from the demands of different stakeholders who formed these coalitions is a remarkable study in not just economic management, but also the management of political interests and institutional interests. We will also discuss the role played by certain individuals in these years which were responsible in unleashing economic liberal policies. But, as far as the domestic context is concerned this was an era of coalition politics in India and the rapid change over in the executive authorities in New Delhi made policy making especially difficult and varied in scope.

I want to spend some time on detailing the precise ways in which the domestic context in India's politics and economy merged with the globalizing trends in global politics and economy to produce unique results which resulted in the economic liberal reforms of the 1990s. In the early part of this lecture I outlined a few historical milestones that you must remember when talking about the overall international history of this period. And, we also

discussed the era of coalition politics which dictated the ways in which the political system worked in India in the early part of the 1990s.

The liberal reforms of the Indian economy in the 1990s, therefore is a curious and crucial product of the intermingling of domestic and international contexts as far as India is concerned. So, the Indian economy and foreign policy were partners as far as the international history of this period is concerned. The international context as you know is never removed from these status of the economy and business operations, but crucially in the decade of the 1990s the international context played a huge role, a hugely significant role in determining the contours of economic commercial and business policies of this period.

So, as part of the liberalisation of the Indian economy in the 1990s the immediate consequence of structural reforms undertaken in the Indian economy during this period was the rapid picking up of international investment into India. The rising tide of foreign investment into different Indian economic sectors and service sectors and other area of business operations was also seen as a smaller development of the larger revaluation that India undertook in its bilateral relations with some of the most prominent countries in the period.

So, the picking up of foreign investment into India after the implementation of the economic reforms of the 1990s was largely seen as the overhauling of India's foreign policies with some major countries of this period including the United States and the erstwhile Soviet Union which later becomes Russia.

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Indian Economy & Foreign Policy: 1989-1999

- Liberalisation of the Economy: Foreign Investment picks up
- **“IT Revolution”**: India-US ties evolving
- Dr Manmohan Singh: RBI Governor (1982-85), Dy Ch. Planning Commission (1985-87); Finance Minister (1991-96)

- Reset in Indo-Russia Ties after USSR break-up
- India-China Ties revived: Rajiv Gandhi’s visit, 1988
- Israel-India establish diplomatic relations.

Foreign investment into India also picks up as a result of the development of certain critical business sectors in India. So, the IT revolution which was the designing, manufacturing and the export of software related technologies from certain Indian cities to Western European capitals and also most significantly to American cities. And generally, North America was seen as one of the most important consequences of undertaking these critical structural reforms of the Indian economy in the 1990s.

This resulting IT revolution and the closer economic ties that India forged with American economic institutions and the general flavor this gave to the developing friendlier ties or the developing bilateral ties between India and the United States became a dominant foreign policy metaphor for the economic history of this period.

So, the international context then played a significant role in which economic reforms were appreciated within India by different stakeholders and the resulting signals sent out by those economic and structural reforms also played their part in constructively organizing or reorganizing India’s bilateral relationships with some of the prominent countries like the United States at this point.

So, political relationships were shaping economic relationships and the consequences of a closed tie between different countries as far as economic matters is concerned or the coming together of two vibrant democracies and economically dynamic countries like India and the US also played its part in reevaluating the political relationship that India had with the United States.

So, the economic reforms of the 1990s is not just a chapter in studying the different kinds of steps that were taken to shore up India's the economic indicators and to delicense License Raj. Economic reforms also become a stepping stone to understand India's foreign policy in this period and also the greater integration of economic ideas with political ideas and the joint role that they play in reforming and reassessing some of the bilateral relationships of this period.

Within this revaluation of India's foreign policy and the revaluation of its economic and industrial and business framework you also see the coming up of different individuals on the Indian political and economical horizon that left their indelible mark and through their efforts, talent and knowledge laid their emphasis on restructuring India's economic infrastructure and put it back on the path towards prosperity and self-reliance. It is in this context that it is important to remember the various roles responsibilities and contributions made by Doctor Manmohan Singh, former prime minister of India.

Doctor Manmohan Singh was the governor of the reserve bank of India from 1982 to 1985. This was followed by his stint as deputy chairman of the planning commission, a position that he was in from 1985 to 1987. And, this was followed by his rather remarkable career for which he is chiefly remembered apart from being the countries prime minister and this was his tenure as finance minister in the central government in the years from 1991 to 1996.

His years as finance minister were in parallel with the tenureship of Mister P V Narasimha Rao as India's prime minister from 1991 to 1996 and this joint duo of Mister Rao and Doctor Manmohan Singh was seen as critical in creating a context and an ecosystem in which the economic reforms were made politically, socially, culturally and institutionally more acceptable to the Indian public, and also to project India's image as a reformist country in economic terms to the international community.

So, the coming together of Doctor Manmohan Singh and Mister PV Rao as India's prime minister from 1991 to 96 was seen as a crucial feature in which individuals and institutions came together in a symbiotic relationship in order to unleash certain structural reforms that were considered critical for the economy during that period.

As part of the general overhauling and revision of India's ties with some of the most important countries during this period, there is also a reset in indo Russia ties after the

breakup of the Soviet Union. Once the soviet political system breaks up into the several central Asian republics that we see today India also had to recalculate and reformulate its terms of engagements with the largest country of the soviet system which was now known as Russia.

So, India's diplomatic political, social and institutional engagements with the erstwhile Soviet Union and now Russia underwent a significant transformation. And, while this significant transformation in the Indo-Russian ties was underway you also see the parallel consolidation of India's economic, political, institutional relationship with the United States.

So, in the end of the Cold War which happened as a result of the dissolution of the soviet system, you see India trying to reformulate its economic diplomacy and also its political bilateral relationship with Russia and the United States. This lent a distinctive context within which India had to undertake its critical economic liberalisation plans. India-China ties also revived during this period. So, the visit of former prime minister Mister Rajiv Gandhi to China in 1988 also witnessed a significant transformation in the relationship or the political relationship between India and China.

Today, India and China share a distinctive economic relationship and are also credible partners in the international policy framework or towards the furthering of a rules based international order. But, the historical origins of the Indo-Chinese relationship lay back in the 1940s and 50s and it was in the 1980s that ties between India and China got revived after their brief suspension following the 1962 border conflict. So, the visit of Prime Minister Rajiv Gandhi in 1988 to China also witnessed or was becoming responsible for a significant transformation in the Indo-Chinese bilateral relationship.


So, on all fronts and considering some of the important countries of this period India while embarking critical reforms within its economy was also undertaking an ambitious foreign policy role whereby it was trying to craft a new vocabulary or new terms of engagement with the United States with Russia and China during this period. This evolving foreign policy context was responsible also in making the economic context within India more pronounced and more significant.

In the early part of the 1990s India and Israel also established diplomatic relations this bilateral relationship would have important consequences for the ways in which India

developed its military and economic infrastructure during this period. So, apart from crafting and re-crafting new ties with the US, Russia and China, India and Israel established formal diplomatic relationship with each other in the early part of the 1990s where embassies of these countries were opened in their respective national capitals.

So, what really was the liberalisation action plan? We have discussed the international context in great detail, we have also discussed the domestic context in great detail and we have also tried to merge the two contexts in order to arrive at a more comprehensive understanding of the history of this period.

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Liberalisation Action Plan

- **21 June 1991:** PVN Rao appointed PM
- **24 June 1991:** Manmohan Singh outlines Liberalisation policies to Finance Ministry
 - New Industrial Policy
 - Fiscal Deficit to be addressed
 - Rupee Devaluation
- **3rd July 1991:** Export subsidies abolished

But, I want to now spend some time to underline what the precise events were that led up to the formal invocation of structural reforms for the Indian economy in the 1990s. So, as part of the liberalisation action plan 21st June 1991 is when Mister PVN Rao is appointed formally as India's prime minister. And, just a short while after his appointment as India's prime minister on the 24th of June 1991 Doctor Manmohan Singh outlines the liberalisation policies to the members of his finance ministry.

As finance minister he was the individual responsible for creating a context, to develop a new policy framework for India's economy and also implement measures that could showed up India's economy and revive it is critical indicators during this period. So, while

the executive authority was vested in the office of the prime minister a part of that authority was also delegated to his finance minister at this point which was doctor Manmohan Singh.

As part of Doctor Manmohan Singh's new responsibilities to undertake reforms for the economy there was a 3-point agenda that guided the spirit of reforms in this period. Of course, there were other critical structural and institutional factors that have to be kept in mind, but as part of our discussion three important elements stood out at this point.

So, in his efforts to outline the new liberalisation policies that the new government wanted to undertake and implement Doctor Manmohan Singh was interested in the drafting of a new industrial policy. What this new industrial policy was, what for it is significant characteristics and features and what was the impact of this new industrial policy on India's business history is something that we will discuss in a moment, but this was the first element that was taken up in the finance ministry in 1991 in the month of June.

The second policy proposal that Doctor Manmohan Singh outlined as part of his priority sure of the Indian economy was that fiscal deficit was to be addressed more comprehensively and more robustly and the third priority that the new government outlined as part of its overhauling of the Indian economic landscape at this point was the facet of rupee devaluation.

The rupee was devalued on two successive occasions and the need for rupee devaluation was felt because the devaluation of the rupee in regards to other foreign currencies was seen as a necessary step to revive the sagging export sector of India. In the early part of this lecture, I had outlined that one of the foremost reasons that were held responsible for undertaking structural reforms in the Indian economy was the spectacle of sagging exports.

So, the new government in 1991 decided to undertake new reforms or to create an ecosystem for reforms to be made more popular by focusing their attention on increasing or whipping up India's exports. On the 3rd of July 1991, export subsidies were abolished. So, the reason why precise dates are being mentioned in this slide in front of you is to give you a glimpse of the ways in which policy was formulated in a very short space of time critical measures were taken important decisions were implemented.

And in order to revive the economic landscape of the country and in order to heal the sagging economic indicators that were being witnessed by everyone it was felt that

important decisions had to be taken in a short space of time. So, the reason for giving specific historical milestones as far as the liberalisation action plan is concerned is to give you a flavor of the urgency that was felt by different stakeholders to undertake critical structural reforms and to see results instantly.

The economic, commercial and industrial emergency faced in the early part of the 1990s was sufficient reason for the new government to undertake critical reforms as rapidly as possible.

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Liberalisation Action Plan

- **Guiding Spirit behind the Plan:**
 - Increase Exports
 - Rebuild Foreign Exchange reserves
 - Project reformist spirit globally
 - Dismantle Licensing and Regulatory Frameworks
 - Give more space to the Private sector
 - Invite investment and promote competition in goods and service industries.

The liberalisation action plan cannot be understood if we do not know the underlying spirit that guided the steps in this period. So, the guiding spirit behind the liberalisation action plan was based on a number of grievances and structural factors that were making it possible for a new economic vocabulary to be invoked to rest of the Indian economy during this period.

So, the guiding spirit behind the liberal action plan or the liberalisation action plan was dependent on about six principles. And the first guiding spirit or the first priority that was seen as responsible for undertaking structural reforms for the economy was to increase exports. Rising exports from a given country was seen as critically responsible for a rise in the national income. It also projected an international image of a sound economy of a given country.

So, to increase exports it was felt that critical economic reforms had to be undertaken, an ecosystem had to be laid in place that could foster exports, curb imports and make the country more richer in its foreign reserves. As a result of increasing exports it was felt that critical foreign exchange reserves could be built up in a more comprehensive manner.

A steady amount of foreign exchange reserves was deemed necessary because as part of the international trading arrangement and as part of the international business framework every country was required to have a certain reserve of critical foreign currency which could help the given country tide over certain economic emergencies.

So, the major reason why exports were now to become a priority sector for the new government was because increasing exports could also help the government and the country on precious foreign reserves and build a credible stock of them. The most important guiding spirit for these reforms was also to project a new international image of a new resurgence India in the early 1990s.

It was deemed necessary that by invoking these economic reforms and by undertaking certain structural reforms in the economy. The international stakeholders could be made to believe that India was on the right path towards national prosperity and was also acting in response to the globalizing trends which were favoring free trade, free movement of peoples and goods across national barriers without undue interference from national governments.

So, one major reason as to why these economic reforms were taken so rapidly in so short a time because it was felt that these reforms could serve dual purposes they would show up the economy domestically and also internationally project the image of a resurgent India. The other guiding spirit behind these reforms was to dismantle licensing and regulatory frameworks and this is something that we have already discussed in the previous moments in this lecture and we will take this up in greater detail as we go by.

And, the other priority that was felt in the 1990s was to widen the space of operations for the private sector. The private sector had been playing its role in its own limited ways in trying to augment the country's national income or to augment the country's capabilities at as far as manufacturing and industrial production is concerned. In the context of the 1990s, the guiding spirit of the reforms also envisioned a more expansive and responsible role for the private sector.

The other important element that formed the guiding spirit of the reforms in the 1990s was also to invite investment from abroad and from within India in order to promote competition in the goods and service industries. So, the competition or to make the field of industrial production and management more competitive was also seen as a spur or a catalyst for the institution overhaul or some of the public sector undertakings in India in this period.

So, when we talk about the needs of priorities that laid different policymakers, lawmakers and politicians and other leaders to undertake reforms more comprehensively in the Indian economy it was primarily to shore up the economic indicators in the country in order to create a context in which different industrial commercial and economic operations could play out more constructively than before. (Refer Slide Time: 56:18)

Liberalisation Action Plan: Individuals & Institutions

- **C Rangarajan** (Member, Planning Commission, 1991-92; RBI Gov, 1992-97)
- **Ashok V Desai** (Finance Ministry, Adviser)
- **7 July 1991:** New Industrial Policy submitted to PMO as a draft
 - Abolition of all Industrial licences (except critical industries)
 - Foreign investment upto 51%
 - Removal of Phased mfg
 - Exemption from anti-monopoly law

Some of the other individuals apart from the prime minister and the finance minister who also played a critical role in forming new policy proposals and new industrial policies is also important for us to remember because India's business history in this part of the decade is critical if we take into account the roles, responsibilities and contributions of a wide variety of individuals and institutions who came together to invoke a new grammar for India's economic reform.

So, as far as the liberal act liberalisation action plan is concerned and the individuals and institutions who also played their important role in these context of economic reforms are as under. The first individual who played a responsible role in charting new policies, and in guiding the efforts of the finance ministry to try and draft new policy proposals for these reforms of the 1990s was Mister C Rangarajan. He was a member of the planning commission from 1991 to 92 and he was also the governor of the Reserve Bank of India from 1992 till about 1997.

He played a critical role in bringing different technocrats of the government of India together, he was also deeply invested in the economic questions that the country faced during this period and his talent and storehouse of knowledge relating to economics and economic reforms was critical in the ways in which new industrial policies were drafted and submitted to the prime minister's office for further scrutiny.

So, the role played by C Rangarajan the former member of the planning commission and the former governor of the Reserve Bank of India is critical to understand the institutional

and individual landscape of the economic reforms of the 1990s. A similar role was also played by Mister Ashok Desai.

He was an advisor to the finance ministry and also lent his critical services towards the formulation of different policies and ideas relating to the institutional and economic overhaul of India in the 1990s. His commitment and interest to economic affairs of India during this period was seen as responsible in strengthening the policy ecosystem in which new bold initiatives could be implemented and made more popular.

So, the contributions of C Rangarajan and Ashok V Desai are invaluable as far as the economic reforms of India are concerned. So, on 7th of July 1991 the new industrial policy was submitted to the prime minister's office as a draft and this new industrial policy was drafted by taking in the opinions and viewpoints of different stakeholders including individuals like Ashok V Desai and C Rangarajan and also under the guidance of the finance ministry.

What was this new industrial policy like well it had four main elements apart from certain other secondary and tertiary elements to it, but chiefly the new industrial policy that was drafted and submitted to the prime minister's office which became official policy relating to the economic liberal reforms of this period had four main elements?

The first element outlined by the new industrial policy was the abolition of all industrial licenses except critical industries. So, this was a watershed moment as far as the history of licensing is concerned in India. So, while it is started in the 50s and 60s as an effective mechanism to make the state an active player in guiding the economic activities of this period in 1991 the clock was turned back and a new economic vocabulary was now invoked to repurpose the role and responsibilities of the state as far as the economy is concerned.

So, one of the foremost important suggestions made by this new industrial policy was to abolish all industrial licenses except in certain critical industries. The second element or the second priority outlined by the new industrial policy was the increase or augmentation of foreign investment in India up to 51 percent. This was also a watershed and transformational moment as far as India's business history is concerned because it made

available new sectors and new industries that could receive foreign funding and investment into their operations and management. This is also an unprecedented time.

So, an unprecedented economic time and context made available unprecedented economic measures in order to restructure the Indian economy. The third element or the third priority or the third feature of this new industrial policy was the removal of phased manufacturing. So, the decades of 60s and 70s as a result of the licensing frameworks were known for phased manufacturing systems where critical goods or widely popular goods were made available in a phased manner. Demands for those goods were piling up, but the supplies of those goods did not meet up the insatiable demand for those goods.

As a result of this new industrial policy phased manufacturing if certain commodities was done away with and was made in tune with the existing contours of demand whether public, institutional or global. Certain industries were also given exemption from anti-monopoly laws. So, laws such as the MRTP Act of 1969 that we have discussed in the previous lecture were now systematically dismantled in order to make the Indian economy more robust and more capable of withstanding the pressures and competition from other advanced global economies.

And as a result of the guiding spirit to make the institution overhaul of India's industrial units more competent and more practical and in order to make exports rise up and to make foreign reserves build up in a more comprehensive manner it was felt that the anti-monopoly laws relating to industrial manufacturing had to be going away.

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24 July 1991 Reforms: Union Budget

- Industrial Licensing Abolished: except for certain critical sectors
- Limited Public Sector Monopolies
- Foreign Investment allowed up to 51%
- Fertilizer subsidy slashed by 40%
- LPG, Sugar subsidy reduced

On the 24th of July in 1991, these reforms or this industrial policy that was submitted to the prime minister's office took on a more official form and this took on a more official form when it became part of the union budget. The union budget was presented on 24th of July in 1991 and as part of his speech Doctor Manmohan Singh outlined certain important features that would be the guiding official spirit behind undertaking the reforms of the 1990s.

So, the economic liberalisation reforms of 1990s consisted chiefly of the following, the first element outlined in the union budget speech related to the abolition of industrial licensing. So, this measure as was outlined in the new industrial policy was kept intact however, certain critical strategic sectors were reserved as far as licensing is concerned, but from a majority of sectors licensing was done away with.

There would be limited public sector monopolies in operation in order to make the domestic industrial manufacturing landscape more competitive and more vibrant, it was felt that the state would step back and limit its control on the management and operation and guiding the affairs of certain public sector undertakings. So, the state's control or the stake of the state in the shares of certain public sector undertakings would be limited or reduced in order to invite the public sector to take a more active role in the management of these units.

Foreign investment as has been outlined earlier was allowed up to 51 percent. This was an unprecedented step as it allowed foreign investment to go up by a significant margin and

this made available new avenue is a funding for international capital into India. So, the reason as to why foreign investment picks up after the liberal reforms of the 1990s is precisely because officially a mechanism is underway which allows foreign investment capital and also domestic private capital to invest more comprehensively in certain sectors.

Crucially fertilizer subsidy was also slashed by 40 percent and alongside fertilizer subsidy. Subsidies relating to liquefied petroleum gas or LPG and sugar subsidies were also reduced. In order to make these policy proposals more popular and more digestible to the public different stakeholders like C Rangarajan and Ashok V Desai worked in tandem with lawmakers and other policy experts to try and underline the context in which these measures were being taken.

So, the economic reforms of the 1990s took place in a highly complex political landscape and also in an equally complex popular landscape.

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New Business Leads & Trends after the Reforms

- The Reforms impacted the following sectors most dramatically
 - **Aviation:** “Open Skies” Policy, New Airlines in India
 - **Entertainment:** New TV channels, broadcasters allowed to operate
 - **Software Industry:** TCS, Infosys operate in the new reformist era.
 - **Banking, Insurance, Healthcare** etc.

Some of the new business leads and trends that took off after these economic reforms were unleashed in the 1990s are as follows. And, while I outlined these new economic and business sectors it is important to remember that the economic reforms of the 1990s or the restructuring of the economic fundamentals of India during the 1990s impacted the following sectors more dramatically than the others. There was a inter sectoral impact that was felt as a result of these reforms, but four broad sectors felt the full force of these

reforms and these sectors in turn responded creatively to the nature and character of the reforms that were being unleashed in India.

The first sector that witnessed the most dramatic reforms was aviation in India. So, the open skies policy which invited foreign investment and also domestic private investment into the setting up of new companies or collaborations as far as aviation companies is concerned was seen in the mushrooming of different companies that set themselves up as civil aviation companies.

So, breaking the monopoly of Indian Airlines and Air India as state run airlines you see the coming up of new outfits and new companies that rendered aviation services to the people of India. These new aviation companies were either domestic private run companies or some of them were also products of a significant collaboration between Indian capital and international capital. So, civil aviation witnessed the most dramatic impact of the economic liberal reforms of the 1990s.

The second sector that also witnessed a change in its landscape was the entertainment sector. So, immediately once new economic reforms are undertaken by the government you see the rise of new TV channels and you see the rise of new broadcasters who are allowed to broadcast new content to the Indian public.

So, just as civil aviation witnesses the rise in emergence of new companies which could break the monopoly of the existing government run airlines. Entertainments also witnesses the breaking of the monopoly of state run channels and the coming up of different channels either private run from within India or channels coming up as a collaboration between Indian operators and western operators to try and offer new content and new services to the viewers.

The software industry was one of the foremost industries to take off after the economic liberal reforms became a practical reality in India. So, the rise in consolidation of TCS which is Tata Consultancy Services and the global reach of companies like Infosys in not just European markets, but all across North America was seen as the decisive consequence of the ways in which the Indian economy was getting restructure and was giving more impetus to the talent, energies and capabilities of the private sector.

The designing export of software related services and programs was seen as a decisive Indian contribution towards the remaking of the world economic order during this point. As a result of the crucial services that Indian technicians and Indian engineers and Indian software developers were extending across the world. This was also a medium through which the rest of the world saw India differently. As part of this reorientation of India's economic image across the world you also see the coming together of two largest democracies more closer to each other.

So, the intimate economic relationships that were developed between software giants within India and in the USA also contributed towards the making of a new foreign policy between India and the United States during this time. So, India's business history in the decade of the 1990s also had economic repercussions, but more crucially those economic repercussions had a critical role to play in the development of bilateral and interstate relationships.

Certain other sectors that also witnessed a turnaround in their management styles and a turnaround the economic fortunes and the way they were run was failed in the sector of banking where significant international capital either entered through collaboration or set up shops or branches of different banks in India, which became a source of funds for a renewed round of business and commercial activities in India after the reforms of the 1990s.

Just as the banking sector was witnessing a change as a result of the implementation of economic reforms. Sectors like insurance and healthcare also witnessed a substantial surge in private investment into these sectors and the coming up of new hospitals or new healthcare facilities or new insurance mechanisms was seen as the opening up of sectors which had earlier been limited or curbed by the regulatory frameworks relating to License Raj.

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A Sum Up

- Global political and economic trends shaped Indian policies relating to the economy.
- Steady shift towards ideas that favoured more open, pragmatic policies to encourage international trade
- Within India: Coming together of individuals, Institutions that supported reformist trends (chiefly PV Rao, Manmohan Singh among others)
- Aim towards De-licensing and freeing the private sector from licensing controls to encourage growth

Just to offer a summary of what we have discussed in this lecture so far. The first element that you have to keep in mind while preparing for the economic reforms of 1990s is to understand that global, political and economic trends shaped Indian policies relating to the economy.

The economic reforms of the 1990s were shaped by the international trends that favoured a more freer movement of goods and services across different barriers without undue interference and the resulting economic reforms also shaped international global currents. So, the worldwide conquest of the India's software industry and the influence enjoyed by India software leaders was responsible in the way in which the international community saw India through different eyes.

Secondly, there was also a steady shift towards ideas that favored more open and pragmatic policies to encourage international trade because India was a responsible member of the international community at this point. It was felt that the economic reforms of the 1990s were also a source to project a new image of a resurgent India in this international community.

Thirdly, within India there was a coming together of individuals and institutions that supported reformist trends, chiefly the Prime Minister Mister P V Narasimha Rao and Doctor Manmohan Singh amongst many others contributed the talents and knowledge towards the building up of a storehouse of knowledge that could invoke a new terms of

engagement in order to characterize or restructure the Indian economy. This was a time of coalition politics.

So, the particular skill whether political institutional or intellectual in managing different viewpoints and making them agree broadly on a set of comprehensible points that could shore up the India's economy was a testament to the robustness of India's democratic institutions and its leaders.

Fourthly, there was an aim towards de-licensing and freeing the private sector from licensing controls to encourage growth the context of the 60s and 70s which had put controls on economic and commercial operations in order to make the state of new active player. In guiding the economic affairs of those periods was seen as a thing of the past and now these new economic liberal policies was seen as responsible.

In catalyzing a new framework in which the private sector could play a more active role and private entrepreneurial growth could drive the fortunes of the state and make the economic and business landscape more vibrant. Fifthly, the economic reforms have to be understood in their short rapid context and in the way in which decisive steps were taken in the 1990s because of the emergency at hand it was felt that rapid decisions had to be taken in order to restructure the India's economy and to make businesses and economic activities more robust and more credible.

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A Sum Up

- Swift, rapid measures taken to structurally reorganise the economy in the 1990s.
- New sectors of business operations respond to the reforms positively.
- Surge in foreign investment and collaboration in Indian business, commercial and financial activities.
- Focus on building an atmosphere for entrepreneurial growth and greater support for the private sector.

So, swift rapid measures were taken to structural reorganize the economy in the 1990s and new sectors of business operations responded to the reforms more positively. So, just as new reforms were being implemented more rapidly into the Indian economic landscape. In the similar fashion Indian businesses and certain new sectors of economic and commercial operations responded to those reforms in as rapid a manner as these reforms were introduced.

So, the decade of the 90s is also a short decade, but its repercussions on Indian political systems and economic systems was quite important and new business formations came up in quick succession and response to this new policy framework that was being laid out swiftly in India at this point.

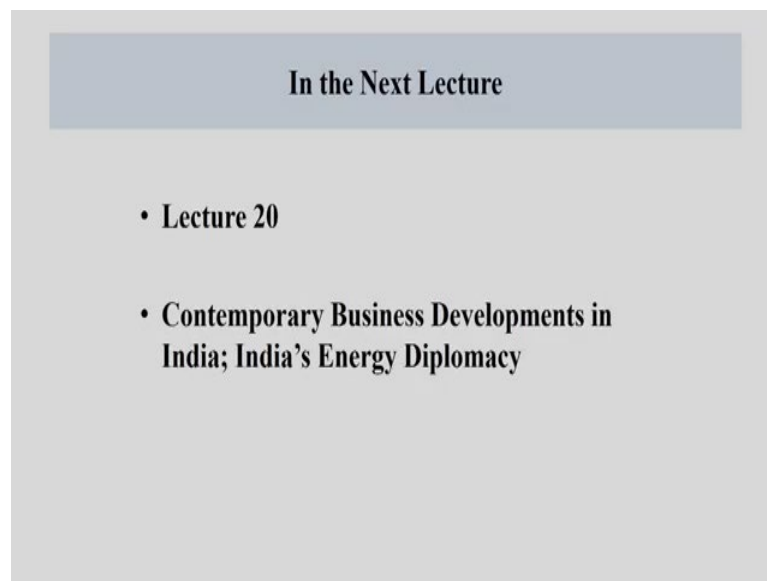
There was also a surge in foreign investment and collaboration in Indian businesses. Commercial and financial activities also benefited positively from the surge in international investment in this period. So, areas like civil aviation, banking, entertainment and the healthcare industry experienced the positive impact of these economic reforms of the 1990s and a significant amount of collaboration took place between Indian capital and western capital and the business landscape of India was transformed significantly.

Finally, the general guiding spirit and the consequence of undertaking these reforms of the 1990s was done chiefly to focus on building an atmosphere for entrepreneurial growth and lend a greater amount of support for the private sector. The decades of the 60s, 70s, 80s as you may well remember was spent on creating an ecosystem in which these licensing frameworks and regulatory frameworks could be put in place in order to put curves in private sector and to make the state a more active player.

But, the 1990s was a turnaround in those policies whereby the private sector was given a more wider scale of operations and a renewed focus was now spent or light was shown on the ways in which entrepreneurial growth could drive the growth of the larger business landscape in India at this moment.

So, the general trend whether international or domestic in this period was merging together in order to create a national context in which private growth private entrepreneurial activity and economic activities free from excessive regulating controls or frameworks could take place and revive the country's economic fortunes and by implication the countries

international image as far as a global economic order is concerned. (Refer Slide Time: 76:51)



In the Next Lecture

- **Lecture 20**
- **Contemporary Business Developments in India; India's Energy Diplomacy**

In the next lecture which is lecture 20, we will discuss certain contemporary business developments in India and while discussing contemporary business developments we will also take a brief look at India's energy diplomacy in this period.

Thank you.