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"Recent Economic Reforms in India"

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Introduction:-

India is the largest economy in the world having more than 125 crore population. The economy of India is the twelfth largest economy in the world by nominal value and the fourth largest by purchasing power parity. In 21st century, India is an emerging economic power with vast human and natural resources and huge knowledge base. Economists predict that by 2020, India will be among the leading economies of the world. Our economy is a mixed economy i.e. private sector, Public Sector and Co-operative Sector. To achieve the growth we have adopted Five year Plans from 1951 and onwards.

In 1991 there was a serious position of our economy. It was during Narasimha Rao's Government in 1991, that India met with the economic crisis which occurred due to it external debt, the Govt. was not able to make the payments for the borrowings it had made from the foreign countries. As a result the government had to adopt new measures to reform the conditions of the Indian economy. The crisis of 1991 happened largely due to inefficient management of the economy of India in the 1980's. The revenues were not sufficient of the government to meet the increasing expenses. Due to the failure of earlier economic policies till 1990 there was a need for new economic policies. The 1991 crisis was marked by a severe, external sector crunch and it acted as a trigger for the big bang reforms of the early 1990s. A Foreign exchange crisis in 1991 induced India to abandon decades of inward-looking socialism and adopt economic reforms. India agreed to the terms and conditions of WTO and new reforms were introduced. These economic reforms are classified as LPG. The central point of the reforms was liberalization of the economy, simplifying regulations, giving more role to private sector and opening up of the economy to competition.

Objective:-

The main object of the study is to explain and examine the economic reforms in India.

Methodology:-

The study is mainly based on the analysis of all the available secondary data related to economic reforms. The paper is based on secondary data such as relevant books, journals and internet.

Economic Reforms:-

Following are the new economic reforms in India adopted for develop the economy of country.

1) Dereservation of the industrial sector:- Reservation of public sector removed & opened for Private sector
2) Industrial delicensing policy.
3) Opening up of the economy to foreign competition:- Opening up of the economy to foreign competition started a new era in India's economic policy with permission to FDI up to 51% in selected sectors
4) Liberalization of foreign trade and foreign investment
5) Financial sector reforms i.e. removal of control on interest rates, Capital market & Money market reforms
6) Reforms related to public sector enterprises
7) Abolition of MRTP Act. i.e. restrictions removed.
8) Freedom to import technology
9) Free entry of foreign Investment
10) FERA restrictions removed i.e. replaced with Foreign Exchange Management Act(FEMA)
11) Increase in the importance of small industries
12) Reduction in export – import tax
13) Easy procedure of Export & Import
14) Providing incentives for export
15) Fiscal reforms & Monetary reforms
16) Reduce the corporate tax from 30% to 25%
17) Stop forcing banks to lend to priority sectors

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18) Monetary reforms regarding banks

19) Phasing out subsidies

20) Social policy reforms

21) Make in India:- PM Narendra Modi launched on 25th Sept.2014.

22) Mudra loan:- launched on 8th April 2015 to help small business for grow and development.

23) Pradhan Mantri Jan Dhan Yojana

24) Smart cities

25) Green marketing

26) Agricultural reforms

27) Infrastructure reforms

28) Labour reforms

29) Demonetization

30) GST:- One Nation one Tax

31) Digital India

32) Renewable energy

33) Housing for all

34) Swachh Bharat Abhiyan

35) Food security Act

36) Adhar Card Linking

Objectives of reforms

1) To Promote a faster rate of growth
2) To increase employment potential
3) To reduce poverty
4) To promote equality
5) Reduction of regional disparities

Conclusion:-

Economists predict that by 2020, India will be among the leading economies of the world. Globalization is now widely accepted as a development technical change. It is integration of third world countries with developed countries. We have to decide whether development means

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affluence or whether development means peace, prosperity and happiness. Lastly our future depends not on what will happen to us but on what we decide to become and on the will to create it. Recent slowdown doesn't impact on Indian economy but Govt. must care about it and make necessary implements on it. Slowdown has no bearing on power sector, growing at almost 7%

The Reserve Bank of India has already cut interest rates by 110 basis points this year to the lowest in nine years to boost loans and revive investment, while signaling it's ready to do more. It has been pumping in liquidity to tide over a cash crunch in the banking sector.

A dynamic economy requires a robust financial system that allocates the capital efficiently. The Indian financial system has faced immense stress in recent years, mainly due to the ballooning of non-performing assets. So that it will be require to change the credit culture in the country. Commercial banks focus on loans to small and medium enterprises.

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3) **Open:** - These can be used to buy goods and services, including fund transfer at merchant's location, and also permit cash withdrawal at ATMs. All Vis and Master cards are included in this category.

As we shift from cash dependent to a cashless economy, we look forward to better social equity, availability of more resources for development work. For this purpose we have implement Vittiya Shaksharta Abhiyan. The purpose of Vittiya Shaksharta Abhiyan is to actively engage the youth/ students of higher education institutions to encourage and motivate all payers and payee to apply cashless modes.

Plastic Money: - Plastic money is the alternative cash or the standard money. Plastic money is much more convenient to carry around as you don't have to carry a huge sum of money with you. Plastic money includes Cash Cards, Credit Cards, Debit Cards, Credit Cards, Net Banking, Mobile Wallets etc.

Advantages of Digital payment System:-

Digital payments have emerged as an important tool for advancing financial inclusion because it lowers the cost of providing financial services to poor people and increases the safety and convenience of using savings, payments and insurance products.

1. Saves time, labour and energy.
2. Transactions can be done from anywhere (home/office/travelling).
3. Online money transfer through internet banking.
4. Online bill payment of phone, electricity, LIC premiums, income tax or Govt. payments.
5. Share market is totally online
6. Online travel, tour and hotel booking and payment.
7. It will reduce pick pocketing and highway robbery which is very rampant in some countries.
8. It will drive the development and modernization of the payment system, promotes transparency and accountability, reduce transaction cost, etc.
9. Electronic payments will help business people grow their customer base and resource pool, far beyond the limitations of their immediate geographic area.
10. If stolen it is easy to block a credit card or a mobile wallet.

Impact of Digital Payment system on Economy:-

The impact of the digital economy will affect a lot to the rural economy. Following are the impacts of digital payment system on Indian economy.

1) Job opportunities increased
2) Better tax compliance
3) E-Commerce business widely increased
4) Online payments of Govt. taxes increased
5) Online payments of varies bills like Electricity bill, mobile recharge, Municipal taxes,etc increased
6) Reducing Black money at some level
7) Reduction in expenditure of printing cost
8) Money transfers
9) Reducing rush in Banks
10) Adopting more people digital payments.

Conclusion:-

Cashless economy is that form of economy wherein market all types of transactions happens with the help of debit or credit cards and electronic payment gateways without any involvement of physical form of money. No Country can be cashless country. It should be less cash country. The Indian Government is supporting digital payment system a lot. It has reduced some taxes and announced incentives for digital payment system. Now a day's more people are showing interest in digital payments. Still India not becomes cash less but we should give more emphasis on making India a less cash society. Now a days we are using varies apps for making payments such as electricity bill, Mobile recharge, purchases on e commerce, telephone bills, recharge of dtoh, money transfers, etc. There is remarkable growth found in digital payments in last three years. People are proactively adopting new methods of digital payments and also hoist the usage of new digital payment modes over old digital payment modes. In future it will increase the such transactions in India and it will certainly facilitate development of economy at higher growth rate in future.

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Impact Of Digital Payment System On Indian Economy

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Introduction:--

The term digitalization means to deal money digitally with less use of hard form of money. Digital payment system refers to the electronic consumer transactions that include payments of goods and services through online means. Digital payment system promotes the cashless transaction and leads to create cashless society. Demonetization measures have had significant and immediate impact on the Indian economy. This move is expected to cleanse the formal economic system and discard black money. This was reflected most of the people are rushing to cashless transactions. Cashless transactions impacted by a decrease in liquidity, alternative payment methods, such as e- wallets, and apps online transactions using e-banking, usage of plastic money i.e. Debit and credit cards have increased. This will increase usage of such payment system, and enable a shift towards an efficient cashless infrastructure.

Digital payments system has been introduced to promote cash less transactions to create a cashless society. Digital transactions bring in better transparency, scalability and accountability. The RBI classifies every mode of cashless fund transfer using cards or mobile phones as prepaid payment instruments. These can be issued as Smart Cards, Magnetic strips cards, Net accounts, Net Wallets, Mobile accounts, Mobile wallets etc.

There are different methods to pay electronically like prepaid cards, NEFT, RTGS, mobile banking etc. Prepaid cards are the plastic cards with a unique identity number. The customer must have access to bank account if he wants to prevail the service of prepaid cards. Mobile banking is a service provided by a bank or financial institution that allows its customers to perform banking transactions using an electronic device connected with internet such as mobile phones or tablets. Electronic payment system has benefits for both buyers and sellers. Bank provides large number of services which may help to accept digital payment system. These services includes ATM, Debit cards, Credit cards, Online banking, Phone banking, Immediate payment service (IMPS), National Electronic fund Transfer (NEFT), Real Time Gross Settlement (RTGS) etc. Financial service providers such as Paytm, Google pay, Mobikwik, Phonepay, Amezon pay, Free charge, Oxigen, PayU money, Bhimupi, E-wallets, IndiaBankBazar, etc..

Objectives:-

1) To study the use of digital payment system
2) To study the impact of digital payment system

Research Methodology :-

The paper is mainly based on secondary data which was collected from News papers, Books & banking reports.

Digital Payment System:-

Cashless transactions means alternative payment methods, such as e- wallets, and apps online transactions using e-banking, usage of plastic money i.e. Debit and credit cards have increased. This will increase usage of such payment system, and enable a shift towards an efficient cashless infrastructure. Digital transactions bring in better transparency, scalability and accountability. The RBI classifies every mode of cashless fund transfer using cards or mobile phones as prepaid payment instruments. These can be issued as Smart Cards, Magnetic strips cards, Net accounts, Net Wallets, Mobile accounts, Mobile wallets etc.
For digital payment system the following conditions must be fulfilled.
Financial Stability, Education level, Smart phones / Laptops & internet connections, Physical infrastructure etc.

Instruments of Digital Payment System: -

Three types of instruments are used for cashless transaction

1) **Closed:** - Issued by an entity for purchasing goods and services only from it, these don't allow cash withdrawal.
2) **Semi closed:** - These are used to buy goods and services, including financial services, from merchants that have a specific contract with the issuer. These too don't allow cash withdrawal. It includes wallets offered by service providers like Pay tm and State Bank Buddy.

Impact of Demonitarisation & GST

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Introduction:-

GST was first introduced by France in 1954 and now it is followed by more than 140 countries. Most of the countries followed unified GST while some countries like Brazil, Canada follow a dual GST system where tax is imposed by central and state both. In India also duel system of GST is follow i.e. CGST (Central Goods & Service Tax) and SGST (State Goods & Service Tax). GST is an indirect tax which will subsume almost all the indirect taxes of central government and state governments in to a unified tax.

The Government of India's decision to cancel the legal tender character of five hundred rupeeand one thousand rupee (Rs.500 & Rs.1000) banknotes with effect from 9 November 2016, and announced the issuance of new Rs. 500 and Rs.2000 banknotes of the Mahatma Gandhi New series in exchange for the old banknotes. These demonetization measures have had significant and immediate impact on the Indian economy.

Objectives:-

1) To focus on Demonetization
2) To study the Goods and Service tax
3) To study the impact of demonetization & GST on Indian economy.

Research Methodology :-

The paper is mainly based on secondary data which was collected from News papers, Books &from www.google .com.

Demonetization:-

India is the agro-based country, country of villages, country of poor, country of financial excluded people, country of people of vulnerable group, etc. this is the identity of rural India. It includes various types' agro-based businesses, entrepreneurs, etc. and the framing is main source of income in rural India.

On 8 November 2016, India's Prime Minister Narendra Modi announced the Government of India's decision to cancel the legal tender character of five hundred rupee and one thousand rupee banknotes with effect from 9 November 2016. These demonetization measures have had significant and immediate impact on the Indian economy. This move is expected to cleanse the formal economic system and discard black money from the same. This was reflected most of the people are rushing to cashless transactions. Cash transactions impacted by a decrease in liquidity, alternative payment methods, such as e- wallets, and apps online transactions using e-banking, usage of plastic money i.e. Debit and credit cards have increased. This will increase usage of such payment system, and enable a shift towards an efficient cashless infrastructure.The Government of India's decision to cancel the legal tender character of five hundred rupeeand one thousand rupee (Rs.500 & Rs.1000) banknotes with effect from 9 November 2016, and announced the issuance of new Rs. 500 and Rs.2000 banknotes of the Mahatma Gandhi New series in exchange for the old banknotes. These demonetization measures have had significant and immediate impact on the Indian economy.

The BSE SENSEX and /nifty 50 stock indices fell over 6 percent on the day after the announcement. In the day following the demonetization, the country faced several cash shortages with several detrimental effects across the economy. People seeking to exchange their bank notes had to stand in lengthy queues, and several deaths were linked to the rush to exchange cash. By the end of August 2017, 99% of the banned currency was deposited in banks, leaving only around Rs. 140000 crore of the total demonetized currency discarded.This move is expected to cleanse the formal economic system and discard black money from the same. This was reflected most of the people are rushing to cashless transactions. Cash transactions impacted by a decrease in liquidity, alternative payment methods, such as e- wallets, and apps online transactions using e-banking, usage of plastic money i.e. Debit and credit cards have increased. This will increase usage of such payment system, and enable a shift towards an efficient cashless infrastructure.

GST:-

Goods and Service Tax is well known as GST, G for Goods, S for Services and T for Tax. GST is one of the most crucial tax reforms in India which has been long pending. It was implemented from 1st July 2017. It is a comprehensive tax system that subsumed all indirect taxes of state and central governments and unified economy into a seamless national market. Before to the July 2017, in India complicated indirect tax system was followed with imbrications of taxes imposed by union and states separately. GST unified all the indirect taxes under one umbrella and created a smooth national market. GST was first introduced by France in 1954 and now it is followed by more than 140 countries. Most of the countries followed unified GST while some countries like Brazil, Canada follow a dual GST system where tax is imposed by central and state both. In India also duel

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system of GST is follow i.e. CGST (Central Goods & Service Tax) and SGST (State Goods & Service Tax). GST is an indirect tax which will subsume almost all the indirect taxes of central government and state governments in to a unified tax.

GST stands for "Goods and Service Tax" and is to be a comprehensive indirect tax levied on manufacture, sale and consumption of goods as well as services at the national level. It replaced all indirect taxes levied on goods and services by the Indian Central and State Governments. "GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set of benefits from the producers / service providers point up to the retailers level where only the final consumer should bear the tax."

Features of GST:-

i) One Country – one Tax
ii) Consumption based tax instead of manufacturing
iii) Uniform registration, payment and input credit
iv) Subsume all indirect taxes at centre and state level.
v) Reduce tax evasion and corruption
vi) Increase productivity
vii) Increase tax to GDP ratio and revenue surplus.

Impact of Demonetarization & GST:-

The impact of the Demonetarization & GST will affect a lot to the rural economy. Demonetarizationmove is expected to cleanse the formal economic system and discard black money from the same. This was reflected most of the people are rushing to cashless transactions. Cash transactions impacted by a decrease in liquidity, alternative payment methods, such as e- wallets, and apps online transactions using e-banking, usage of plastic money i.e. Debit and credit cards have increased. This will increase usage of such payment system, and enable a shift towards an efficient cashless infrastructure.

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Conclusion:-

A simple, user – friendly and transparent tax system is required which fulfilled by implementation of GST. GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector

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