Polity & Governance · GS - II

Has the Indian governmental system responded adequately to the demands of Liberalization, Privatization and Globalization started in 1991? What can the government do to be responsive to this important change?

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MARKS	WORD LIMIT
12.5	~200 words

Answer Hint

1991 economic reforms; liberalisation; privatisation; globalisation; regulatory reform; ease of doing business; social protection; institutional capacity

Model Answer

Introduction

India's 1991 economic reforms marked a shift towards liberalisation, privatisation and greater integration with the global economy. Government institutions have adapted substantially, but regulatory and administrative challenges remain.

Extent of Government Response

Achievements

- **Liberalisation:** Industrial licensing was substantially reduced, and many sectors became more open to private investment.
- **Privatisation and disinvestment:** The role of private enterprise expanded, and the government pursued disinvestment in selected public-sector enterprises.

- **Global integration:** Trade and investment reforms strengthened India's links with global markets.
- **Institutional reform:** GST, digital public infrastructure and improvements in insolvency resolution have modernised parts of the economic system.
- **Competition and regulation:** Sectoral regulators have developed frameworks for telecommunications, financial services and other industries.

Remaining Gaps

- Complex compliance requirements and inconsistent enforcement continue to affect businesses.
- Labour-intensive manufacturing and formal job creation remain insufficient relative to the workforce's needs.
- Unequal access to education, skills, healthcare and digital infrastructure limits the gains from globalisation.
- Regulatory uncertainty and delays can discourage investment.
- Small enterprises face difficulties in accessing finance, technology and global value chains.

Measures to Improve Responsiveness

- Simplify regulations while maintaining environmental, labour and consumer protections.
- Improve judicial and contract enforcement and strengthen predictable regulatory systems.
- Invest in infrastructure, skills, research and innovation.
- Support MSMEs and labour-intensive sectors to integrate into global value chains.
- Strengthen social protection and reskilling for workers affected by economic restructuring.
- Improve coordination between the Union, states and local institutions.

Conclusion

India has adapted considerably to post-1991 economic changes, but reform remains unfinished. A responsive government must combine competitiveness and innovation with inclusion, accountability and social protection.

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