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PUBLIC SECTOR IN INDIA AND POLICY SHIFTS DURING 1990′

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The early 1990s structural changes, along with a cautious and balanced approach to external sector liberalisation, resulted in a step forward in economic growth, with India emerging as one of the world's fastest growing economies. Even though the Indian economy has been rocked by a series of external shocks, both domestic and international, since the latter part of the 1990s, this growth has been achieved in an environment of fiscal and financial stability. Rapid expansion of knowledge-based services is the fastest expanding category of services. India's policy climate has shifted dramatically, forcing domestic businesses to rethink their operations. The effectiveness of the new policy regime may hinge on the methods employed by these businesses and the fine-tuning of policies that affect firm-level decisions. An in-depth examination of post-1991 corporate strategies might provide useful insights into the corporate decision-making process as well as ideas for policy improvement. The nature of oligopolistic rivalry in the Indian context has evolved as a result of economic liberalisation and the concomitant opening up of the Indian economy. New techniques for enhancing technological skills and obtaining a diverse range of complementary assets and intangible assets have become critical. Furthermore, in the early 1990s, India's private sector responded positively to economic reforms by increasing investment. In this context, the current article aims to examine the performance of India's public sector and policy adjustments during the 1990s.

INTRODUCTION

PSUs have risen to the top of the economy and have been at the forefront of the industrialization process, supplying infrastructure, steel, and capital goods that are critical in a quickly changing economy. The public sector is the bedrock upon which contemporary India has been constructed. The motto of the 1950s, 1960s, and 1970s was self-reliance in major infrastructure sectors, which helped establish outstanding capacity in petroleum, power, steel, fertilisers, railways, and road networks. The private sector was free to provide other goods and services while public investment took care of long-term, capital-intensive infrastructure. Despite the fact that PSUs were created as commercial organisations, many of them operated in a distorted market environment. A handful of them, particularly those providing critical infrastructure services, were monopolies in their respective fields. A total of about 19 lakh people are employed in roughly 240 central public sector firms; 161 of these enterprises are in the manufacturing sector, while 75 are in the service industry, which includes the financial sector. Four PSUs are involved in the building industry. Despite crippling regulations, inconsistencies, and the looming danger of privatisation, a number of public sector firms have emerged as shining

beacons of brilliance. The public sector oil, telecommunications, and power businesses have performed admirably and made profits. The combined resources of all central PSUs are estimated to be Rs. 60,349 crores in Budget 2000, with Rs. 35,240 crores coming from their own resources (Frontline, March 31, 2000: 119-120). These PSUs have contributed significantly to the national budget and overall economic development. Several specialists in industrialised countries (including the United Kingdom, France, Germany, and the United States of America) who have seen the negative impacts of inefficient and shortsighted private sector management support the strategy of promoting the public sector. For more than five decades, the public sector has served as the engine of economic growth in a safe environment. Several PSUs, on the other hand, have learned to compete in a competitive market. However, aggregate data on central PSU performance shows that, while there were 134 profit-making central PSUs in 1997-98, there were also 100 loss-making central PSUs (Frontline, March 31, 2000: 124). India's public sector firms have risen at a breakneck pace. There are several compelling reasons to support the public sector. The expansion of the public sector has aided in the development of infrastructure and the diversification of the industrial base. The performance of public sector firms, on the other hand, has deteriorated. This has caused policymakers to be very concerned. The Indian government is working hard to improve the performance of public sector firms by enacting numerous reforms.

PSU POLICY INITIATIVES

Since independence, India has pursued a "mixed" economic growth model, as opposed to the "free" (capitalistic) and "controlled" (socialistic) types of development seen elsewhere in the global industrialised. The Government of India's Policy Resolution of 1948 called for the government to take a more active role in the development of industries. As a result, the private sector was excluded from certain sectors. By 1954, mixed-economy socialist thought had morphed into a socialist social structure. As a result, it was decided that fundamental and strategic services should be provided by the government, as well as other critical industries that require large-scale investment that only the government can offer. It also said that the private sector will be subject to control and regulation under the Industries (Development and Regulation) Act in order to conform to the state's social and economic policies. As a result, the foundations of an economic system were established for a largely dependent sector. However, even after two decades, the public sector's performance has not shown the predicted positive rate of growth. By 1970, the public sector's usefulness in India was being questioned.

The Janta Party Government's industrial policy was proclaimed on December 23, 1977, as a result of a political shift in ideology, and it recognised the challenges of unemployment, rural-urban inequities, and low national income growth. It was thought that the public sector would not only create critical and strategic items of a fundamental kind, but also serve as an effective statutory force for preserving essential supply. It was given the task of encouraging the purchase of critical supplies. It was tasked with promoting the creation of a diverse variety of ancillary industries and assisting to the rise of decentralised production by making its technology and management available to small village and cottage industries. As the government fell apart and the Congress Party retook power in 1980, the impact of this programme was hard to observe. As a

result, on July 23, 1980, another Industrial Policy Resolution was announced. The job of creating economic infrastructure was delegated to the public sector in this resolution. The Government of India unveiled a new Industrial Policy on May 31, 1990, in which the role of public sector firms was attempted to be modified. Private businesses were given permission to produce steel. Power generation has recently been made available to the commercial sector. The role of the state in the Indian economy has shrunk as a result of liberalisation and deregulation. All of this is done to instil a spirit of competitiveness in government-owned businesses.

REASONS FOR POOR PERFORMANCE

The performance of India's public sector firms was bad. Singh (1997) assessed the situation of the Indian public sector. There are no clear, well-defined objectives for public enterprises. Financial restraints exist in the form of overcapitalization and high overhead costs. The firms have a strict financial control, an unsound capital structure, and a depreciation programme. Managerial issues such as a lack of qualified manpower, civil servants in public enterprises being frequently transferred, political interventions, both explicit and implicit, employee disenchantment as a result of civil servants being seconded to organisations, leaving no opportunity for insiders to rise to top management positions, and, finally, a less than enticing compensation plan in public enterprises, which leads them to the pinnacle of the pyramid. Personnel factors such as ineffective personnel policies, overstaffing, a scarcity of skilled and expert employees, poor performance, a lack of sincerity and dedication on the part of employees to the organisation, frequent staff transfers with no job enrichment or rotation, job security leading to a refusal to improve efficiency and productivity, and a lack of motivation through punishment policies, among others. Strikes, gheraos, lock-outs, sit-ins, tools-downs, work-to-rule, agitation, protests, and disturbances hurting production and sales significantly, result in a loss of man days and working hours, resulting in reduced production and sales. The installed capacity is being used at a low rate or is being used inefficiently. It is difficult to measure since, in many cases, determining the installed capacity is challenging due to multi-product firms with similar shop floor facilities. Underutilization of capacity results in a lock-up of scarce human, financial, and material resources, imports, repercussions in interconnected sectors, and an increase in production costs, all of which harm firm profitability. The lack of a strong pricing policy; the government has not issued clear pricing guidelines, and there are several price-fixing agencies. This causes price fixing uncertainty, which affects the efficiency of public enterprises. Excessive control, both formula and in formula, which stifles managerial initiative and reduces efficiency. The proliferation of control and oversight bodies dilutes the commercial criteria used by public firms. Political unrest results in the loss of property and man hours, reducing the production and sales of government-owned businesses.

"The public sector in India today is characterised by its inability to face up to competition in an increasingly competitive environment, brought about by globalisation as well as domestic market liberalisation," wrote a member of the Government of India's Dis-investment Commission recently in a comment on the state of the public sector in India (Ganesh, 1999). This predicament has also resulted from poor investments in people and machinery, as well as management's failure to recognise the importance of

transforming corporate culture in an era of global competition. Most government divisions, whether successful or not, suffer from intrinsic bureaucratic difficulties such as outdated work cultures, overstaffing, and a lack of entrepreneurial ambition. Many of these problems may be traced back to government meddling in the day-to-day operations of public-sector businesses. In many situations, the government has viewed public sector enterprises as an extension of its arms, strategically placed to support its interests in the corporate world. Losses and near-eroding net worth have resulted from a lack of willingness to seize possibilities and a desire to play it safe in order to avoid complications with post-implementation audits. In addition to these problems, businesses have had to deal with massive wage increases. The Bureau of Industrial and Financial Reconstruction has already been directed to around 60 PSEs (BIFR). If proper corrective steps are not adopted quickly, many more will fall into the hands of the BIFR.

ECONOMIC REFORMS

It is generally known that India has been undergoing an economic revolution since 1991 in order to fully maximise the country's potentials and attain higher growth. To improve the efficiency, productivity, and competitiveness of Indian enterprises, credible reforms have been implemented in the areas of industry, commerce, and infrastructure, as well as the fiscal, financial, and public sectors. India is quickly establishing itself as one of the most attractive places for global investment and a land of boundless possibilities for all. Dr. Tarun Das (2003) believes that the Indian economy has many favourable aspects that would allow it to grow rapidly in the future. The following points have been summarised by him (Das 2003: 70–71):

- India is the fourth largest economy in the world after USA, Japan and China in terms of Purchasing Power Parity adjusted GDP.
- India posses the eight largest industrial estate in terms of stock of capital.
- It posses huge domestic market with the second largest population after China and a middle class in the range of 150–200 million.
- India is the largest democracy with multi–party system, free press, independent judiciary, efficient administration, a long history of private enterprises and a strong institutional base for development.
- India has vast natural resource. It ranks sixth in coal and iron ore reserves, fifth in bauxite, seventeenth in crude petroleum and twenty–third in natural gas reserves.
- India ranks nineteenth in terms of value added in industry (first in production of sugar, fourth in nitrogenous fertilizers and coal, fifth in cement and iron ore, ninth in electricity generation, tenth in steel, thirteenth in commercial vehicles, and twentieth in crude petroleum production.
- India ranks first in production of milk, millet, ground nut, tea, jute, mangoes and bananas, stocks of cattle and buffaloes, second in arable land and irrigated area, production of rice, wheat, rapeseed, sugarcane and tobacco and third in

production of cotton, natural rubber.

- India has cheap but reasonably skilled and dedicated labour force and peaceful industrial relations.
- Language does not pose any problem as English is an accepted language in educational institutions, Government offices and corporate houses.
- India has a strategic location to cater the markets in the South, East and West Asia and can even be gateway to the markets in Europe and Africa.
- India has a mature banking and financial system with several large commercial banks, financial institutions and insurance companies.
- India has a vibrant capital market with around 10000 listed companies (second highest in the world) and a market capitalization of over US $ 250 billion.
- India has a diversified and well–spread infrastructure. It ranks one of the twenty largest telecom networks in the world. It possess largest network of post offices in the world, it ranks first in rail network and third in the road network.

Instead than show treatment or a big bang strategy like Latin American countries or the Commonwealth of Independent States, India's reform programme has emphasised gradualism, step-by-step approach, and evolutionary process. India is a multiparty democracy, and since 1951, one of the primary goals of our planning has been to achieve growth while ensuring social fairness. As a result, changes are based on broad political interests and favour job creation and poverty reduction. During the 1980s, India successfully completed the Sixth (1980–85) and Seventh (1985–90) five-year plans and shifted to a higher growth rate, with an average annual growth rate of 5.7 percent, compared to 3.5 percent in the 1970s. However, massive and persistent macroeconomic imbalances expressed in mounting budget deficits, a perilous balance of payments situation, and inflationary pressures have cast considerable doubt on the growth process's long-term viability (Das, 2003:8), During the 1980s, India's overall economic philosophy was to liberalise imports, promote export-oriented industries, reduce physical controls and regulators in industry, encourage capacity expansion and technological advancement, allow for a flexible exchange rate, and attract foreign investment in specific sectors based on case-by-case approvals.

India continues to have a tight foreign equity policy, as well as a strict policy on capacity expansion for economies of scale and private sector engagement in infrastructure and other vital industries. The reform concepts since 1991 are depicted in Chart 1. Stabilization policies and structural adjustment reforms are the two types of macro adjustment policies. Stabilization policies try to reduce macroeconomic imbalances by targeting demand, whereas structural adjustment policies aim to increase supply and improve productivity and growth by enhancing the system's competitiveness, efficiency, and dynamism (Das, 2003: 12). Except for a few sectors that are crucial for national security, public health, and the environment, the government has abolished licencing for both industrial output and exports. Since July 1991, the foreign investment policy has been dramatically liberalised. The majority of sectors are now open to foreign

investment, subject to sectoral equity caps. In most infrastructure industries, majority involvement and equity up to 100% are permitted. Foreign institutional investors, non–resident Indians, and overseas corporate bodies are allowed to operate in India's capital markets subject to an individual and collective holding of 10% and up to 49% of paid up capital for the FCCB.

Chart 1: Paradigms of Economic Reforms in India

Pre Reforms Period (Pre 1991)	Post Reforms Period (Post 1991)
Quantitative licensing on trade and industry	Abolition of industrial and tradelicensing
State regulated monopolies of utilities & trade	Removal of state monopoliesprivatization & divestment
Government control on finance & capital markets	Liberalization of finance & capital markets
Restrictions on foreign investment and technology	Liberal regime for FDI, portfolio investment, foreign technology.
Export Promotion and export diversification.	Import substitution and export ofprimary goods, no import bias.
High duties & taxes with multiplerates.	Reduction and rationalization oftaxes and duties dispersion
Sector specific monetary, fiscaland tariff policies	Sector neutral monetary, fiscaland tariff policies
Endues and sector specificmultiple and controlled interestrates	Flexible interest rates without anyendues or controlled interestrates sector specifications.
Foreign exchange control, noconvertibility of rupee	Abolition of exchange control, fullconvertibility or correct account.
Multiple and fixed exchange rates	United and market determinedexchange rates.
Administered prices for minerals,utilities	Abolition of all administered prices essential goods except for few drugs.
Tax concessions or exports andsavings	Rationalized and being phasedout.
Explicit subsidies on foodfertilizers.	No change, budget subsidies on LPG essential items and Kerosene introduced.
Hidden subsidies on power andurban transport.	No change, but user charges arebeing imposed on public goodsPOL rationalized, and subsidiestargeted.
General lack of consumersprotection and other sights	Acts governing consumer sights,IPR, independent other sightsregulatory authority.
Central leaning, discretionaryprocess high	Decentralization sound institutional framework, degree of bureaucracy reforming civil services.
Outdated companies Act	No change
No exit policy for land andlabour	No change in labour policy slowprogress of reforms in land markets.
Outdated legal system	No change

Source: Tarun Das, Economic Reforms in India, Bank of Maharashtra, Pune, 2003.

Foreign institutional investors, non–resident Indians, and overseas corporate organizations are permitted to engage in India's capital markets if they possess a minimum of 10% and a maximum of 49% of the FCCB's paid up capital.

Chart 2: Structural Reforms Since 1991

Pre–reforms period (Pre–1991)	Post–reforms period (Post 1991)
Industry and Infrastructure	
Government licensing required formost industries, which accountfor 66 per cent of new investment.	Licensing abolished except for 6 industries, which account for lessthan 8 per cent of production.
Restrictions on expansion underMRTP	MRTP amended.
Reservation of 836 items for SSIunits	Many items de–reserved.
18 major industries reserved forpublic sector.	Only four industries viz., defence products, atomic energy, minerals required by atomic energy and rail transport reserved for public sector.
Restricted foreign investmentpolicy	Almost all the sectors are open for foreign investment except a few which are strategic on considerations of national security, public health and environment.
No competition act.	Competition Bill approved by the Government.
Public Sector	
Budget support to PSE: 1.5% of GDP	Support reduced to 0.6 per cent of GDP.
Price and purchase preference forPSE	No price preference, but purchase preference exists.
Preferential treatment for bankcredits.	No preferential treatment for bank credits.
No hard budget constrained.	MOUs with PSEs strengthened
No disinvestments	Disinvestment is allowed.
SICA does not include sick PSUs.	SICA amended to refer loss-making PSUs to BIFR.
External Sector Reforms	
Fixed exchange rate determinedby RBI.	Exchange rate is marketdetermined.
RRs on 91% of imports.	Most RRs removed.
Imports of 55 goods canalized	Most items decanalized.
439 items of export and subject toexport licenses.	Abolished except for minerals and agriculture.
Export taxes on agro–productsand minerals.	Abolished.
Rupee not convertible.	Fully convertible on currentaccount.
No capital account convertibility	Significant convertibility on capitalaccount.

Source: Tarun Das, Economic Reforms in India, Bank of Maharashtra, Pune, 2003

Many policies were announced in the 2002–03, Budget to encourage private investment in industry and infrastructure. These measures include the following (Das, 2003: 30):

- Public investment in key infrastructure sectors increased and or infrastructure equity fund set up to help in providing equity investment fund for infrastructure projects.
- One time settlement scheme in regional to State Electricity Board (SEB) over dues to the central public sector utilities through securtization and bonds.
- Corporatization of major ports in a phased manner
- Concession Package for private sector participation in green field airports.

- Urban Reform Incentive fund set up to provide incentives for reform of rent control Act, rationalization of high stamp duty regime, streamlining approval process for construction and development of sites simplification of legal procedures and realistic user changes to convert agricultures land into non-agricultural use.
- Dismantling of administered price for petroleum products from April 2002. Subsidies on LPG and Kerosene to be phased out in the next 3–5 years.
- De–reservation of 50 items relating to agricultural equipment, chemicals and drugs etc, reserved for the small–scale sector.

Since its foundation in 1951, Indian planning has prioritised growth with social justice and poverty alleviation. Several anti–poverty programmes have been in place for decades, with the poor being the major target population. Programs for the welfare of the weakest sections, women and children, and members of special employment programmes for self- and wage work in both rural and urban areas are among them. India is committed to meeting the Millennium Development Goals of the United Nations by 2015. . Food crops and cash crops are mismatched in India, resulting in lower yields per hectare than the global average, production volatility, and huge differences in productivity between areas. Local production of pulses and oil seeds continues to fall short of domestic demand, forcing India to rely on imports of pulses and edible oils to meet its needs. Furthermore, the rural sector has little investment and low returns, and agriculture is still sensitive to weather shocks. For the growth of agriculture and the rural sector, the following actions have been adopted. (Das, 2003: 34):

- Greater thrust on rural infrastructure.
- Review of essential commodities set.
- Higher credit to agriculture.
- Introduction of Kisan Credit Cards.
- Setting up Agricultural Export Zones.
- Watershed Development
- Amendment of the Milk and Milk Products Control Order 1992 on March 26, 2002 to remove restrictions on new milk processing capacity.
- Decanalization of exports of agricultural committees and phasing out of the remaining control on agricultural exports.
- Expansion of forward trading to cover all agricultural commodities.
- Additional allocations to the states for decontrol and deregulation of agriculture.
- Additional allocation for construction of cold storage and rural warehouses.
- Strengthening micro–credit delivery system through self–help groups.

- One time settlement of bank loans for small and marginal farmers.
- Setting up a new corporation for agricultural insurance.
- Setting up a modern integrated food law affecting food and food processing sector.

SHIFT IN POLICY

Because of the variations between the two periods, 1951–91 and after 1991, India is an intriguing case study for studying the impact of industrial policies and institutional structures on industrial growth and patterns of industrial transformation. They represent various regulatory regimes, institutional frameworks, and industrial development patterns, allowing for systematic research and hypothesis creation about casual linkages. Since 1991, Indian policymakers have attempted to learn from East Asian experiences while also being pressured by the IMF, the World Bank, and other international organizations to liberalize and open up the Indian economy to the world market.

India's early 1950s economic policies included considerable government supervision of the private industrial sector, the creation of a large state industrial sector, and import limits that effectively insulted domestic industry from worldwide competition. During the four decades between 1951 and 1991, policy changes occurred, but core policy ideas and the institutional architecture that shaped policy execution and impact remained largely unchanged (Martinussen, 2000 : 77). India's industrial policies, as well as the institutional structures for implementing them and the country's overall institutional setting, all had an impact on the country's industrial development in different ways. In a national framework, the industrial approval system helped to industrial diversification. During this time, India's industrial structure became much more diverse. India's industrial structure had become more varied by the 1970s than that of most other emerging countries. Diversification and links to basic and capital goods sectors were aided by the rise of the public industrial sector. The approval system, on the other hand, did not close the technological gap. It did not help India catch up to the industrialised world in terms of technological advancement. The permission system failed to avoid economic power consolidation in the private sector. Finally, the system did not foster small-scale industrial development, but rather operated as a barrier to entry for newcomers (Martinussen, 2000:113). India's international competitiveness decreased as a result. In the 1960s and 1970s, India's proportion of global and developing-country manufactured exports fell, and the rebound in the 1980s did not make up for the ground lost in the preceding decades. As a result, India's proportion in global manufactured exports fell from 0.84 percent in 1962 to 0.41 percent in 1980. By the 1990s, the percentage had risen to 0.54 percent. From 22.1 percent in 1962 to 3.4 percent in 1980, India's proportion of developing country manufactured exports dropped dramatically (Kathuria, 1997; 154). The many incentives available for small scale units in India have protected small businesses that have actively sought government assistance. However, in other ways, the overall impact has been different from that predicted by policymakers.

The Indian economy witnessed major structural transformation between 1950 and 1990. The contribution of industry to GDP increased from roughly 15% in 1950 to nearly 30% in 1990. The manufacturing sector's output and value added grew significantly,

resulting in this relative gain. During the period 1951 to 1966, India's economic development was characterised by a high ratio of increase in industrial production, with a focus on capital goods and metal-based sectors in the public sector. Between 1966 and 1980, India's industrial development was marked by markedly slower growth, owing to a slowdown in public investment and low productivity growth in the public sector. During the period 1980 to 1990, industrial development saw a modest comeback, with consumer durables growing the fastest, followed by capital goods (Mukherjee, 1997 : 28). A substantial intellectual lobby arose in the 1980s to oppose the policy framework of controls and regulations. In the early 1990s, foreign and internal factors combined to cause an economic crisis, and India implemented new economic policies in 1991, contributing to a break with the past.

In July 1991, the Government of India announced drastic changes in the industrial and foreign trade policies. Since then, further liberalizations have been introduced every year with each new budget. The changes that have been included are:

- Abolition of licensing in most industrial sectors;
- Removal of most of the regulations restricting the growth of large companies;
- Opening up many areas to the private sector previously reserved for development by the public sector;
- Removal of numerous regulations pertaining to foreign investment and transnational business collaborations (mainly contained in FERA before 1991);
- Introduction of various incentives to encourage technology transfers in general and foreign investment in high priority industries in particular;
- Partly freeing of foreign trade from government interference; and
- Steps to make the Rupee fully convertible on the current account (not the capital account).

The new economic policies marked a fundamental break with the past. They drastically reduced the degree of state regulations in several respects and introduced a much more market friendly and open economy policy environment. This considerably changed the climate for Indian and foreign investment as well as for transnational technical cooperation and strategic alliances. There is widespread agreement among both Indian and foreign investors that business opportunities in India improved after 1991. The following are the outcomes of new industrial policies (Martinussen, 2000, 950):

- Costly and time consuming controls have been abolished. Until 1991, the industrial approval implied that private investors and companies had to spend considerable time and resources to obtain the necessary clearances. Most of the big companies had to maintain a special lobbying unit in Delhi to deal with government officials both formally and informally to speed up the approval procedures. After 1991, much fewer approvals are needed from the central government. Most clearances which are still required can be obtained at state

government level.

- It has been made easier for big companies to expand monopolies and respective trade practices legislation has been radically changed so that even big companies with market share above one third can expand their production and sales without prior approval from the government.
- Several sectors which used to be reserved for the public sector have been opened up for private investment and in some of the sectors, special incentives are offered to foreign investors.
- Foreign majority ownership is now allowed as the general rule while before the general rule allowed only 40 per cent of foreign ownership.
- Quantitative import restrictions have been abolished and tariffs lowered. On average, weighted tariffs were brought down from 87 per cent in 1991 to less than 30 per cent in 1997.
- Convertibility of the rupee on the current account has been introduced. This change of policy has been an improvement.

However, it appears that broad agreement has emerged among Indian industrialists that the new policy framework has introduced certain biases in favour of foreign companies and new foreign investors, the following are the disadvantages for Indian promoters and companies vis–a–vis new foreign investors (Martinussen, 2000 : 950):

- Foreign investors can access capital funds abroad at much lower interest rates than Indian promoters can obtain in India.
- Indian companies pay customs duties on all their imports while foreign companies can obtain exemption.
- Sales tax in relation to interstate transfers applies only to Indian companies.
- While Indian companies have to pay excise duty immediately, foreign companies can often postpone their payment.

It appears warranted to conclude that while India post 1991 industrial policies reflected attempts at accommodating more than before the interests of foreign capital, the institutional arrangement for their implementation embodied biases mainly in favor of large India based companies with established relations with government bureaucracies. Companies involved in India's industrial development through investment and trade can be divided into categories according to their status in relation to the pre and post 1991 regulatory frameworks. At least five main categories may be identified in the following manner:

- Indian controlled companies and groups of companies which previously, until 1991 came under the purview of MRTP Act. These are the big India companies and business houses.
- Foreign controlled companies established in India before 1991 which until 1991,

were affected by the FERA and at the same time come under the MRTP Act. These are the big foreign branches and subsidiaries of transnational corporations with foreign equity at 40 per cent and above.

- Foreign companies considering establishing manufacturing branches or subsidiaries and entering into strategic alliances in India after 1991.
- Foreign companies interested only in trading with India.
- Indian companies not covered by the MRTP Act, including small and medium sized companies.

In other areas, the new economic policies place a greater focus on attracting foreign investment and facilitating international trade while paying less attention to the interests of India's industrial firms. Despite the profound crisis of 1991–92, annual growth rates between 1992 and 1997 averaged 6.8%. However, with an annual compound growth rate of 5.5 percent, the post-reform period's growth rate has not been considerably higher than that of 1980. Furthermore, after 1997, the rate of increase slowed. During the 1980s, manufacturing experienced an annual growth rate of roughly 8%. Manufacturing, like global industrial growth, has fluctuated dramatically over the last decade, with a distinct tendency to decline after 1997. In the mid-1990s, India witnessed a robust boom, with yearly export growth of over 19%. Export growth, on the other hand, slowed to only 5.6% in 1996–97 and then to roughly 2% in 1998. It should be emphasised that after 1995, both Indian and foreign investment intentions have shown a downward trend. There is no indication that the amount of proposed investments has lately grown. It should be emphasised that IEM implementation has been gradual. By November 1948, commercial production had been announced for less than a quarter of the anticipated outlay. Furthermore, between 1991 and 1998, actual inflow as approved FDI in India was 29.3%, whereas only 14% of total actual FDI inflow in India was reported as NRI investment. In India, net foreign direct investment as a percentage of GDP was 0.4 percent from 1991 to 1996, compared to 0.1 percent from 1983 to 1991. As a result, net FDI as a percentage of GDP has decreased in India since the reforms, whereas it has surged dramatically in China, Indonesia, and other emerging countries. Furthermore, the growth in net private capital inflows as a percentage of GDP, from 1.4 to 1.5 percent of GDP, has been quite modest. As seen through the eyes of Indian policymakers, this is certainly disheartening.

CONCLUSION

The huge transformations that reshaped the world during the last quarter of the twentieth century will be remembered. Every aspect of life has been touched by technological progress, whether it be manufacturing or services, private or public, domestic or transnational. Most economies underwent policy changes during the globalisation process, some of which were radical in nature, to usher in economic liberalisation and internationalisation of products and services. In the early 1990s, India, too, faced stiff competition from the global market and embarked on a road of structural reform. The implementation of 'New Economic Policy' in 1991 kicked off the process. Change in an organisation entails changing its structure, method, management and staff behaviour,

strategy, and environment, among other things. One of the most common targets of change is the organization's structure. Organizational transformation must be viewed in light of the nature and stage of management in general, as well as the leadership of the organisation in particular. Leadership has become increasingly important at all levels of a business over time. The character of leadership has also changed. In the late 1970s and early 1980s, the winds of change began to sweep the industrialised economies and many of the newly developing or developed economies, notably China and the Southeast Asian countries. However, it was not until the late 1980s and early 1990s that India's economy and corporate sector realised the impact of the new wave, as well as the urgency of the need to change. In terms of technology, productivity, income levels, the availability of new products and services, and their quality, the divide between the developed world and India has increased. Despite the reforms implemented since 1991, the Indian government, corporate sector, and labour unions are still grappling with the new paradigm's shifting reality.

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