ECONOMIC POLICIES FOR DEVELOPMENT

Bristi Biswas
Viva College of Arts, Commerce, Science (Virar)

Abstract : Macro-economic policy refers to the instruments by which a government tries to regulate the economy in keeping with certain objectives. It is an attempt to assess the behaviour of the economy, as a whole and to seek ways in which it's aggregate performance might be improved. The aggregate economic performance of any country depends on the macro-economic policies such as monetary and fiscal policies play a major role in accelerating the economic development of a country. The role of international financial institutions namely the International monetary fund and the world bank rendering financial assistance to developing countries. This paper shows that economic growth is the most effective way to pull people out of poverty and deliver on their wider objectives for a better life. The principal of Macro-economic stability, domestic liberalisation and openness have been interpreted narrowly to minimise fiscal deficit, inflation, tariffs ,maximise privatisation and maximise liberalisation of finance with the assumption that more of these changes the better, at all times and in all places overlooking the fact that these expedients are just some of the ways in which these principles can be implemented to develop the economy.

Keywords: E-banking, Functions, Advantages & disadvantages, E-banking products, Challenges

MEANING AND DEFINITION FOR ECONOMIC DEVELOPMENT

MEANING:

Economic development is a transformation of a predominantly agrarian economy into a highly industrialised one , bringing about a rise In national Income and per capita income together with an improvement in distribution of material welfare . Economic development is a much wider concept than economic growth, It has a qualitative dimension.

DEFINITION :

According to prof. Meier and Baldwin "Economic Development is a process whereby economy's real national income increases over a long period of time." According to prof. Milton Friedman "Economic Development is an innovative process that leads to structural transformation of social system. "

INTRODUCTION FOR ECONOMIC DEVELOPMENT AND POLICIES

Economic development generally means a process of development ,it shows an improvement or development of agriculture, trade, transport, industry and means of irrigation, development of power resources etc . There are various forces and changes in several variables which bring about the result namely economic growth. Economic development refers to the problem of under develop countries, development means not only economic growth but many other things as well. It means variously. "Catching up with the west" ,the substitution of machines and technology for backbreaking toil , the elimination of hunger , squalor and disease , the extension of economic justice and equality in their societies , increasing freedom from dependence on one or few primary commodities, the development of manufacturing industries. The elimination of foreigners from positions of dominance and control in their economics. Development implies rise in productivity as well as economic welfare of the community with suitable policies. In short development aims at quantitative as well as qualitative improvement. Thus economic development is a wider concept than growth which should be framed with effective policies which helps the economy to achieve growth. The government has been financing various types of special

programmes designed in form of policies for rapid economic growth policy planning is an effective instrument in hands of government helping the efficient and optimum utilisation of resources.
The indicators of economic development are as followed :

- National income
- Per capita income
- Per capita consumption expenditure
- Physical quality of life index
- Human development index

ROLE OF GOVERNMENT IN ECONOMIC DEVELOPMENT

Government are planning a vital role in economic development their role is remarkable in following respect

- **Comprehensive planning :** Government plans and breaks the vicious circle of under develop equilibrium, planning commissions have been set up and institutional framework built up.
- **Institution of controls :** The automatic forces within the system tends to keep moored to a low level. Thus the government must interfere with the market forces to break the circle hence various controls have been instituted such as price control, exchange controls, control of capital issues , industrial licensing.
- **Social and economic overheads :** Economic development needs a large investment such investment will lead to creation of external economies ,which in their turn will provide incentives to development of private enterprise in industry as well as Agricultural. Thus government builds up infrastructure for initiating economic growth.
- **Setting up financial institutions:** In order to cope up required finance institutions are been set ten up by government such as Industrial finance corporations and Agricultural refinance and development corporation etc.
- **Economic planning and policies:** Economic policies are essential and should be effective which should focus to allocate resource which is limited. This can be done by the state . It can be done through central planning according to a scheme or policy priorities well suited to the countries conditions and needs.

NEED FOR ECONOMIC POLICIES FOR DEVELOPING ECONOMY

- To Regulation the of economic activity
- To provide Rational utilisation of resources
- To achieve Balanced economic growth
- To provide Employment opportunities to all
- To Establishment of social and economic overheads
- To provide Labour intensive technology
- To achieve Economic stability
- To bring Social justice within the country
- To Modernise the economy

OBSTACLES TO ECONOMIC DEVELOPMENT

There are various economic factors which causes drawbacks within the country they are as followed;
Capital deficiency: The vicious circle of poverty low income ,low saving, low capital hence low income has prevented these countries from building up a desirable stock of capital . Due to deficiency in capital country lacks economic development.
Low level technology and skill shortage : The technology utilised is primitive which leads to low productivity hence the labours are also not highly skilled due to which the income decreases leading to point of poverty.
Absence of entrepreneurial class: Entrepreneur plays a vital role to enhance his skills and increase the productivity due to absence of such entrepreneur the productivity decreases and so does the profit leading to lowering of contribution towards the country.
Institutional inadequacies : Developing countries lacks credit facilities , the draw backs of the past has therefore given to these countries institution totally inept for developmental task.
Social cultural hindrances : County possess of different facets belonging to different backgrounds but milieu these features together make most often act as brakes and blocks on the road to progress.

POLICY MEASURES FOR ECONOMIC DEVELOPMENT IN INDIA

The policy measures aiming at reduction in income and wealth inequalities should be redistribute in nature. There should be removal of economic concentration, the increase in the income levels of mass of the people. All measures serve a dual purpose to redistribute income and remove poverty and adequate implementation of land reform measures, proper employment opportunities and adequate wage policy, price policy , social security and adoption of labour , fiscal policy and development of backward areas thus development opportunities would expand. The state should lay down a proper development policy for the success of a development plan and to avoid any pitfalls that may arise in the development process. The success of a development plan can be tested mainly by examining various proposals under each of heads. Good policies help but that may not ensure success. India been a developing country faces such obstacles , hence government initiates new economic policies within the country in different sectors. The government under P.V. Narasimha Rao introduced policy changes which were relied on combination of macro-economic stabilisation and structural reforms in industrial and trade policy.

MACROECONOMIC STABILIZATION

Control of inflation : A combination of policies such as fiscal and monetary improves the output and supply position were lowered down to decrease the high inflation . fiscal deficit decrease to 7.7% of GDP monetary policy were fixed wear as has SLR raised to 38.5 % and CRR to 15%.
Fiscal correction : Fiscal reform were introduced to correct fiscal imbalance government introduced expenditure reforms to reduce expenditure by subsidies , defense and administrative expenditure. Personal income tax were reduce to 30% and custom duty reduce to 40% , by 1994-95 service tax was introduced .
Balance of payments adjustment: measures were taken to improve the BOP . LERMS was been introduce in which dual exchange rate was fixed under which 40% of foreign exchange was to be surrendered at the official rate and the remaining 60 % can be converted at a market determined rate .efforts were made to increase export.

STRUCTURAL REFORMS
Industrial Sector Reforms : The Industrial Policy helped to build a strong diversified industrial sector in India were it resulted in rising unemployment, industrial sickness hence government started industrial policy measures such as:
- Abolition of industrial licensing
- Entry of foreign investment and technology
- Removal of MRTP Limit

Public Sector Reforms and Disinvestment : The reforms consisted of Disinvestment of to improve the performance of public sector enterprises policies consist of
- Partial Disinvestment of equity of public enterprises
- Raising of fresh equity directly by public sector
- Public monopolies are being subjected to greater competition from new private enterprises.

Trade and Capital Flows Reforms : India was facing a balance of payments problem due to worsening of current account deficit. To meet the balance of payments crises the government took the following reforms in the external sector.
- Liberalization of imports
- Reduction in tariff structure
- Promotion of exports
- Change in exchange rate policy

Financial Sector Reforms : The reforms was made since 1991 by Narsimham committee Insurance Sector.
- Policy measures for health :
- National health mission
- Universal immunization
- Integrated disease surveillance projects

- **Policy measures for employment :**
  - Swarna jayanti Gram Swarozgar Yojana
  - Sampoorna Gramin Rozgar Yojna
  - Swarna jayanti Shahari Rozgar Yojana

Policy Measures for Micro and Small Industry Sector.
- Small Industries Development Bank of India (SIDBI)

- National Commission on Enterprises in the Unorganised Informal Sector
- Ministry of small scale industries & Agro and Rural industries .

INTERNATIONAL MONETARY FUND AND WORD BANK POLICIES IN DEVELOPING CONTRIES

The IMF is an international monetary organisation which considers the growth of the fund in size , composition and resources and the important role it has played in solving international monetary problems in formulating international monetary policies, the funds has proved to be a success by achieving it's main objectives viz expansion of international trade , elimination of restrictive policies, stabilising exchange rates and ensuring easy convertibility of currencies . World bank advances loans to member countries to help them achieve economic growth. The loans are directed through guarantees which intends for certain projects of reconstruction and development in member countries.

Conclusion

The paper pinpoints a comprehensive review of important aspects of Indian economy under which the future prospects of the Indian economy and the evolution of economic policies in India is shown. The policy initiatives view " economic liberalization" which is essential for any of the developing countries. It is important for every country to implement economic policy within country to achieve higher economic growth and to sustain improvement in level of population to reduce inequalities, development of public sector and achieve self reliance thus government in play's a vital role for developing the economy in stepping up its rate of growth directly by participation in economic activities, by economic and social overhead capital and by building necessary infrastructure, which moulds social structure and adapting the legal frame work to the takes of development & indirectly by pursuing suitable monitoring, fiscal and trade policies.

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