Full convertibility

Full convertibility of rupees means unified market determined exchange rate regime, converting rupees in to foreign currencies on both sides i.e. from "current account" and from "capital account" side.

From current account side means, wherein the exporters and importers were allowed a free conversion of rupee. But still none was allowed to purchase any assets abroad.

From capital account side means, that rupee can now be freely convertible into any foreign currencies for acquisition of assets like shares, properties and assets abroad.

Further, the banks can accept deposits in any currency.

capital account convertibility

CAC means the freedom to convert rupee into any foreign currency (Euro, Dollar, Yen, Renminbi etc.)

Capital account convertibility means that its residence have freedom to purchase foreign exchange for the sake of buying financial assets from abroad, such as stocks or bonds

Or opening a bank account in another country, and similarly that foreigners can purchase domestic financial assets.

CAC will lead to a free exchange of currency at a lower rate and an unrestricted movement of capital.

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Partial Convertibility

Liberalized Exchange Rate Management System (LERMS) introduced a dual exchange rate system.

This is also called as partial convertibility of the Rupee.

Partial Convertibility of Rupee was introduced in March 1992

The Partial convertibility of Rupee is known as Dual exchange system.

This term is with reference to balance of payment and conversion of domestic currency into foreign currency and vice versa.

In India, there is partial convertibility as there are restrictions on capital account transactions, though the rupee is fully convertible in the current account.

current account convertibility

Current account convertibility means that a country's residents can purchase foreign exchange for the purpose of **buying goods and services from abroad.**

India adopted current account convertibility **in August 1994**

Current Account Convertibility allows free **inflows and outflows** of foreign currency for all purpose including resident Indians buying foreign goods and services (imports),

Indians selling foreign goods and services (exports), Indians receiving and sending remittances, accessing foreign currency for travel, study abroad, medical tourism purpose etc.

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3. Globalisation:

It refers to integration of various economies of world.

Till 1991 Indian government was following strict policy in regard to import and foreign investment in regard to licensing of imports, tariff, restrictions, etc.

but after new policy government adopted policy of globalisation by taking following measures:

(i) Import Liberalisation. Government removed many restrictions from import of capital goods.
(ii) Foreign Exchange Regulation Act (FERA) was replaced by Foreign Exchange Management Act (FEMA)
(iii) Rationalisation of Tariff structure
(iv) Abolition of Export duty.
(v) Reduction of Import duty.

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1. Liberalisation:

Liberalisation refers to end of licenses, quota and many more restrictions and controls which were put on industries before 1991. Indian companies got liberalisation in the following way:

(a) Abolition of licence except in few.

(b) No restriction on expansion or contraction of business activities.

(c) Freedom in fixing prices.

(d) Liberalisation in import and export.

(e) Easy and simplifying the procedure to attract foreign capital in India.

(f) Freedom in movement of goods and services

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2. Privatisation:

Privatisation refers to giving greater role to private sector and reducing the role of public sector. To execute policy of privatisation government took the following steps:

(a) Disinvestment of public sector, i.e., transfer of public sector enterprise to private sector

(b) Setting up of Board of Industrial and Financial Reconstruction (BIFR-1987). This board was set up to revive sick units in public sector enterprises suffering loss.

(c) If in the process of disinvestments private sector acquires more than 51% shares then it results in transfer of ownership and management to the private sector.

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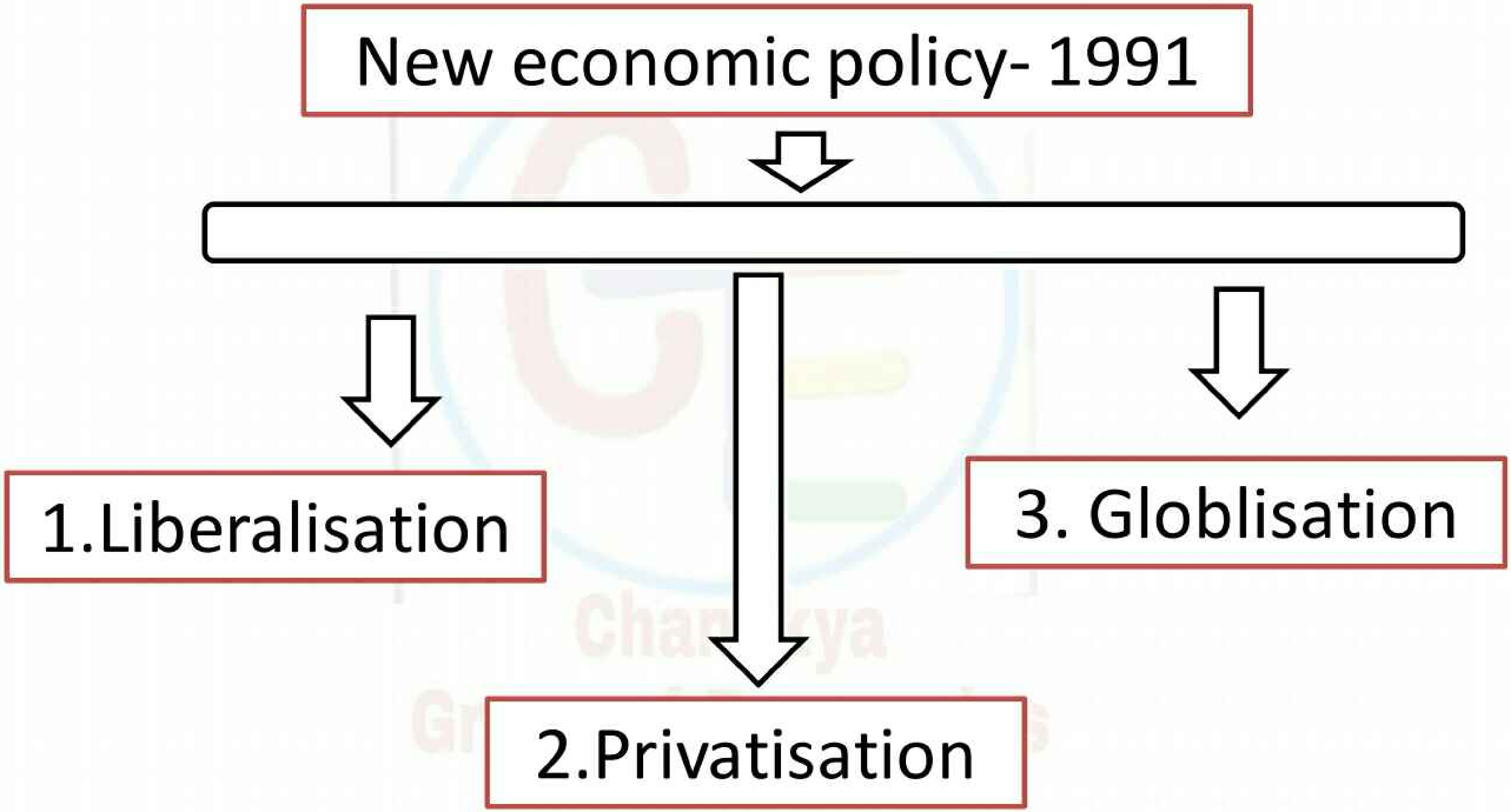
New economic policy- 1991
1.Liberalisation
2.Privatisation
3. Globlisation