ISSN: 2456–5474 RNI No.UPBIL/2016/68367 Vol-3* Issue-2*March- 2018
Innovation The Research Concept

Liberalization, Privatization and Globalization Model in India

Abstract

The economy of India had undergone significant policy shifts in the beginning of the 1990s. This new model of economic reforms is commonly known as the LPG or Liberalization, Privatization and Globalization model. The primary objective of this model was to make the economy of India the fastest developing economy in the globe with capabilities that help it match up with the biggest economies of the world.

Parmod Kumar
Assistant Professor,
Deptt.of Economics,
Govt.P.G.College,
Sujangarh, Churu,
Rajasthan

Keywords: India's Economic Reform, Liberalization, Privatization and Globalization.

Introduction

India's economic reform since 1991 has been catalyst in shaping the performance of the economy. No doubt the economy has been brought to a higher growth trajectory and minimized many of the apparent inefficiencies that were persistent before the reform; however, there are new challenges in the process and backlashes in various areas. This volume highlights the post-reform performance of Indian economy in various sectors and the growth and development challenges thereof. In particular, the book addresses the performance and challenges in agriculture, industry and service sectors; and the development issues such as poverty and human development in the context of the economic reform. This book is an authoritative guide to India's growth and development after economic reform and challenges thereof. This book will interest the students of economics and development studies, academics, researchers, policymakers, analysts and general readers. The chain of reforms that took place with regards to business, manufacturing, and financial services industries targeted at lifting the economy of the country to a more proficient level. These economic reforms had influenced the overall economic growth of the country in a significant manner.[1]

Review of Literature

Cross industry studies of changes in market concentration in the traditional industrial organization framework seek explanations in terms of other industry-level behaviour and performance variables (Scherer and Ross, 1990). In this paper, our extension to this approach takes the form of decomposing the change in market concentration into components, in order to consider the way each of these components change with policy. We describe the decomposition (extending Davies and Gerick, 1997) in the next section. Ghemawat and Kennedy (1998) examine the market structure impact of sudden and simultaneous liberalization in Poland along many fronts - the "big bang" of 1 January, 1990, including foreign trade, FDI, prices, and regulations relating to entry, exit and factor markets.. They highlight the disequilibrium dynamics: the need to note distortions in pre-shock structure and the lags in adjustment to new equilibrium after the reforms. Drawing on Sutton (1991, 1998) they explain the deconcentration of many markets in response to competitive shocks as an adjustment from an initial disequilibrium to new equilibrium levels. Sutton's bounds approach suggests that the adjustment will depend on the structural attributes of the industry - the lowest sustainable levels of concentration will increase with advertising, R&D and asset intensity.

Objective of the Study

1. To study liberalization policy in India.
2. To know the negative and positive impacts of liberalization in India

Hypotheises of Study

1. Liberalization has great impact on Indian economy
2. LPG has done electrifying changes in Indian growth.

Research Methodology

The research design will be descriptive in nature. The method of data collection will be mainly based on secondary data. And secondary sources like magazines, newspapers, reports, dissertations, and thesis. The following studies represent a comprehensive summary of the challenges and prospect liberalization. In this context, the present study will examine the different types and benefits of liberalization co-exist for the optimum utilization of resources. In the research paper researcher used tabulation to find result on tourism industry contribution in service sector and in Indian economy.

Need for Liberalisation

1. Bring flexibility in the operations of business organisations.
2. Paves the way for globalisation
3. Helps companies to compete with other companies at international level.
4. Saves time, efforts and money of business enterprises.
5. Reduces cost of production and distribution.

Advantages of Liberalization

1. Increase in foreign investment.
2. Increase in efficiency of domestic firms.
3. Rise in the rate of economic growth.
4. Control of price.

Disadvantages of Liberalization

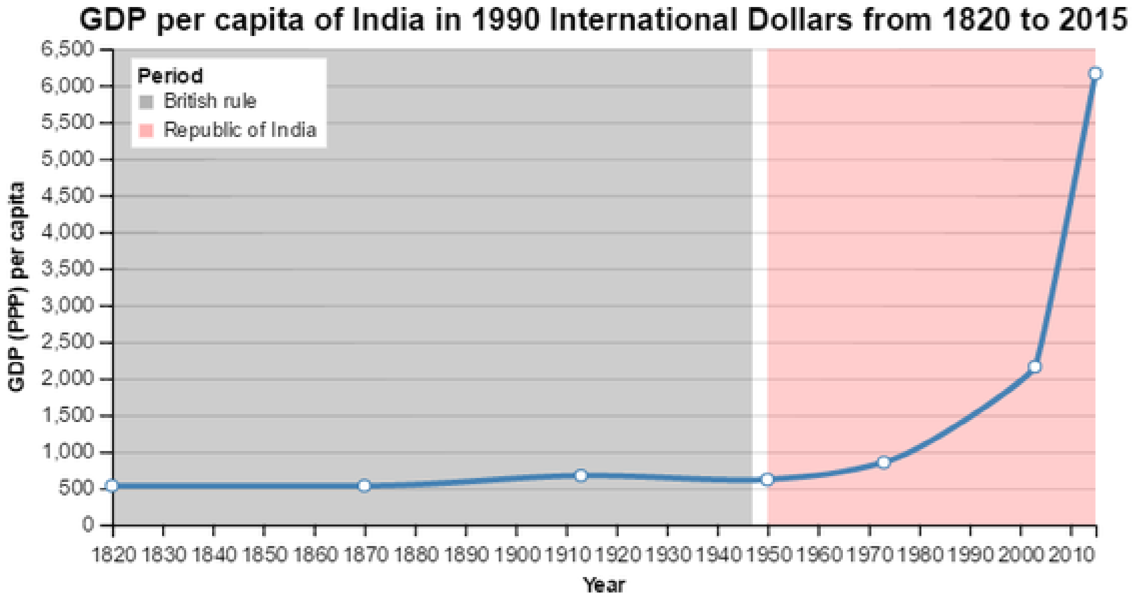
1. Increase in unemployment.
2. Loss to domestic unit.
3. Increased dependence on foreign nation.
4. Unbalanced development of sectors.

Narasimha Rao Committee's Recommendations

The recommendations of the Narasimha Rao Committee were as follows:

1. Bringing in the Security Regulations (Modified) and the SEBI Act of 1992 which rendered the legitimate power to the Securities Exchange Board of India to record and control all the mediators in the capital market.
2. Doing away with the Controller of Capital matters in 1992 that determined the rates and number of stocks that companies were supposed to issue in the market.
3. Launching of the National Stock Exchange in 1994 in the form of a computerised share buying and selling system which acted as a tool to influence the restructuring of the other stock exchanges in the country. By the year 1996, the National Stock Exchange surfaced as the biggest stock exchange in India.
4. In 1992, the equity markets of the country were made available for investment through overseas corporate investors. The companies were allowed to raise funds from overseas markets through issuance of GDRs or Global Depository Receipts.
5. Promoting FDI (Foreign Direct Investment) by means of raising the highest cap on the contribution of international capital in business ventures or partnerships to 51 per cent from 40 per cent. In high priority industries, 100 per cent international equity was allowed.
6. Cutting down duties from a mean level of 85 per cent to 25 per cent, and withdrawing quantitative regulations. The rupee or the official Indian currency was turned into an exchangeable currency on trading account.
7. Reorganization of the methods for sanction of FDI in 35 sectors. The boundaries for international investment and involvement were demarcated.

The outcome of these reorganisations can be estimated by the fact that the overall amount of overseas investment (comprising portfolio investment, FDI, and investment collected from overseas equity capital markets) rose to $5.3 billion in 1995-1996 in the country) from a microscopic US $132 million in 1991-1992. Narasimha Rao started industrial guideline changes with the production zones. He did away with the License Raj, leaving just 18 sectors which required licensing. Control on industries was moderated.[2]



Structural changes take place in the development process in a relatively long term. However, their composition and pace can be significantly affected even in the short-term by major policy induced developments. The following structural changes have taken place in the Indian economy in the wake of liberalization: Changes in the share of agriculture, industry and services: While the share of agriculture has continued to consistently decline over the past six decades that of industry and services has increased. Sharp rise in the importance of the external sector: The figure of imports and exports as a percentage of GDP has increased substantially. The import structure has changed in favour of energy and some new export oriented raw materials and intermediate manufacturers. Capital goods have somewhat declined in importance. As far as imports are concerned, the share of agricultural and allied products has continued to decline, while that of manufactured products has increased. Overseas Investment: A significant recent development is that Indian companies have also started undertaking overseas investment. While the share of manufacturing in GDP increased during the first three decades after independence, but it has remained virtually unchanged since then, in spite of significant acceleration in the growth rate, because the growth of services sector has been much faster during this. Saving and investment Performance: Post-reform period has shown a remarkable increase in saving and investment. Since private sector was assigned a new role under the New Economic Policy, the share of private sector in gross domestic capital formation has increased substantially. The inter-state disparity in rates of GSDP growth has increased and the disparity has been even more marked in the growth of per-capita income. The Gini coefficient of inter-state inequality in per-capita income is much higher than it was before the reforms. However in the period after 2000 while some of the poorer states have experienced a faster than average growth, growth of some of the developed states has slowed down.[3] The employment performance has been disappointing in the post-reform economic growth. The experience has been that of a "jobless growth" in the 1990's and "zero-employment growth" in the new millennium. There has also been increasing informalisation, casualisation and contractualisation. There has also been a disconnection between unemployment and poverty and between employment generation and poverty reduction. There has been an emergence of a certain degree of polarization in urban areas where percentage of people within the middle class has declined and that of the poor and rich has increased.

Conclusion

However, in rural areas a leveling seems in operation in so far as there has been a downward shift in some of the rich and an upward shift of some of the poor, resulting into a swelling of the middle.[4]

References

1. *http://www.yourarticlelibrary.com*
2. *V. Sundram -Impact of Globalization on Indian Culture.*
3. *Pieterse, Jan N (2003)-Globalization and culture*
4. *Ghosa, Biswajit (2011)-Cultural changes in era of globalization.*
5. *Scherer, F.M. and Rose, David, "Industrial Market structure and Economic performance (1990)*
6. *Ghemawat, P. and R. Kennedy, competitive shocks and industrial structure (1998)*
7. *Suttion, J." Market structure; Theory and Evidence: (1991)*