IMPACT OF LIBERALISATION ON INDIAN ECONOMY

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Abstract : During the period of the Narasimha Rao government, the Budget 1991 coupled with the Industrial Policy of the year 1991 enabled investments in the private sector among all industrial sectors. The Reserve Bank of India specified a base rate of interest and provided commercial banks with the liberty to levy rates of interest that are beyond the base rate of interest keeping in mind the factor of risk associated with the commodity.

IndexTerms – Liberalisation, economy, foreign exchange

I. INTRODUCTION

The government also freed the term lending institutes of finance in addition to liberalizing considerably the regulations on exchange control by virtue of the repealing of Foreign Exchange Regulation Act. With the abolishment of the License Raj, private, sectors could flourish across all industrial sectors and it has paved way for people to have more access to latest technologies and innovations. As a result of this, the foreign exchange investments increased from a 1.2 billion USD in the year 1991 to a whopping 313 billion USD by June 6, 2014. Let us now discuss liberalization in India in detail. The government allowed several concessions under the novel economic liberalization policies in India and some of them include the following the government added a number of nine industries on which a seventy-four percent automatic approval regulation was initiated. In cases pertaining to mining, generation of electricity, distribution and diffusion of manufacturing activities, ports, refining of oil and so on, a hundred percent of foreign equity was permitted in all the marked Special Economic Zones in the country. Telecom industry was also included in this list and its activities were now privatized Under this policy, the FDI was now free to establish their zones replete with the infrastructural facilities they require by virtue of the new scheme of Free Trade and Warehousing zones. The government took care to allow maximum rates of foreign equity permission for priority industries that generated a lot of resourceful and financial development.

II. OTHER ASPECTS OF LIBERALIZATION IN INDIA

Steps towards rationalization among the duty structures were initiated due to Liberalization Duty rates were lowered considerably from 220 percent to 30 percent within the Peak Customs section. As Rationalism gained momentum in the country, rates have become even lesser nowadays. Such a thing resulted in India's economy to be opened up wider and Indians became familiarized with foreign goods. In a bid to lessen expenditure on subsidies, prices of certain fertilizers were increased by forty percent and prices of commodities such as LPG gas cylinders and PDS sugar increased. According to Manmohan Singh, the finance minister during the period of 1991, it was necessary at that juncture to bring about changes that expanded the scope and the territory of operation of various markets forced to reform our ongoing price system as well as resource allocation. He played a key role in bringing about the economic reforms in the country during the Narasimha Rao government that are continuing to this day.

III. WHAT THE POLICIES STEMMED FROM AND THE CLASSIFICATION OF PUBLIC SECTOR UNITS

The government undertook implementation of these financial policies in light of the compulsions that the country's economy was facing during an age of Globalization. Additionally, persistent poverty and growing inequality also contributed to the limitations posed to economic priorities in India. The problems plaguing the sectors of agriculture, industrialization, education as well as infrastructure were being targeted through these policies, thus affecting an overall economic development. This newly implemented economic policy of 1991 served to classify the public sector units into broadly three categories wherein the first was of those which qualify as earmarked areas of operation and are high priority areas that usually yield good profits. The second unit formed those sectors that were now faltering and needed reconstruction, upon which these sectors would become viable in future. The government lastly undertook the projects of closing down or passing on to the private sector, the ownership of those units that were perennially sick and had a tendency of incurring maximum losses.

IV. The outcome of the reorganizations

There were several outcomes of these economic reformations which can be traced in the statistics that overseas investment was increased to 5.3 billion USD during the span of 1995-1996 in the country as opposed to the 132 million USD during 1991 and 1992. The government also did away with the practice of License Raj which left only a number of eighteen sectors which needed licensing from the government which reduced the degree of control that the government could exercise on industries. The constructive fulcrums on which Liberalization, Privatization and Globalization policy operated were those of

- Foreign Technology Agreements
- Foreign Investments
- Industrial licensing
- Newer opportunities for overseas trade
- Reformation in taxes
- Abolition of the License Raj
- Measures to regulate Inflation
- Initiation of Privatization
- The MRTP Act of 1969

The economic Liberalization in India allowed greater production rate as firms were now free fo alter their production schedules and quantities according to the shifts in market demands. This policy also facilitated manufacturing houses to bring in foreign technicians in their team without having to apply for permission from the government for hiring them. This allowed an exchange of techniques from different lands and also greater exposure for India made goods.

If by liberalization you mean privatization / economic liberalization, then here is your answer Economic liberalization started in 1991 under the then finance minister and our ex-prime minister Shri Manmohan Singh Ji. It was a great step taken to clear the mess in which the Indian economy was at that time.

Pros:

1. Privatization increases market competition and hence quality of products increases.
2. It increases investments and economic growth increases.
3. People get the opportunity to be job creators rather than job takers.

Cons:

1. Economic gap between rich and poor get wider.
2. Not much control in price range of products.(Companies can charge whatever they want)
3. Privatization of education is one of the worst things that can happen. I believe that free and quality education is a right to everyone and all. Not everyone can afford the fees of private schools and colleges.

V. Effect on India:

With liberalization India is able to have a booming economy and market for products. Investments in India have increased tremendously and choices available to people have improved but this has brought little or no difference to the poor and labor class which are a major chunk of our population. With liberalization, in recent years the government has overlooked its responsibilities to provide free and quality healthcare for all. (Look at majority government hospitals in India!)

Failed to provide free or cheap good quality education for ALL. Even now they want to give autonomy to many government institutions. They gave rolled back research fellowships and done seat cuts (There is a protest happening against this called "Occupy UGC). Farmers live a life of struggle and distress depending upon monsoon rains and no effective relief measure has been made by the government. Those who can afford have water pumps and tractors.

VI. Conclusion:

India has to go through a painful period of adjustment before the liberalization can have its fruitful impact upon the economy. In liberalizing the economy the government must not forget to protect the poor and the needs of human development. The present bout of economic reforms in India-those started in the nineties- marks both continuity and a break with India's post-independence development strategy. India's development strategy after independence was largely influenced by reservation regarding the ability of the market forces to bring about, on their own, an optimum allocation of resources, thus balancing the country's two main "Objectives "growth' and 'equity'.

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