



**A BRIEF OVERVIEW OF THE ERA OF LIBERALISATION, GLOBALISATION
& PRIVATISATION**

Mr. A. C. Bajpai

Assistant Professor , DAV PG College, HNB Garhwal University, Srinagar Garhwal,
Uttarakhand,

E-Mail- acbajpai40@gmail.com

ABSTRACT

This research article constitutes an attempt by the researcher to uncover the era of liberalization, globalization & Privatisation in India's economy framework. The present study is targeted at India's current economic system and the effectiveness of LPG Policy and its plausible outcome as far as current status of India's economic framework is concerned. Besides the author through this article intends to give useful insights into the policy initiatives launched way back by the the policy makers for furthering the developmental agenda.

Keywords - Liberalisation, Privatisation, Globalisation

Introduction

Liberalisation

Economic liberalization refers to the policies introduced in India in 1991 to reduce government regulation and promote economic growth. The reforms included privatization, deregulation, and trade liberalization and were intended to open the Indian economy to foreign investment and competition. Since then, India has become one of the fastest-growing major economies in the world. In this article, we'll explore the impact of economic liberalization on India's economy and discuss the opportunities and challenges of further globalization.

India's economic liberalization policies of the 1990s marked a turning point in the country's economic development. The move towards a more open economy brought about significant changes, such as privatization and trade liberalization, that helped to boost economic growth and development. The impact of liberalization on India's economy has been substantial, with the country experiencing sustained growth and emerging as a significant player in the global economy. However, there is still potential for further growth and development through increased globalization, which can bring

opportunities and challenges. In this article, we will explore the impact of liberalization on India's economy and discuss the prospects and implications of further globalization.

Economic Liberalisation in India

India is one of the fastest-growing economies in the world, but it was only sometimes this way. India struggled to develop its economy for decades after gaining independence from British rule in 1947. It was only in the 1990s that India began to see significant economic growth, thanks in large part to the economic liberalization policies introduced by the government. In this article, we will discuss the historical context of India's economic policies before liberalization, the critical reforms introduced during liberalization, and the impact of liberalization on India's economy.

India's economic policies before liberalization

In the years following independence, India's economy was dominated by state-owned companies and a heavily regulated private sector. This state-led development policy was known as the "License Raj" and was characterized by high levels of bureaucracy, corruption, and inefficiency. Industries were subject to various restrictions and regulations, including price controls, import duties, and foreign ownership restrictions. These policies were intended to protect domestic industries and create a self-reliant economy but ultimately stifled innovation and growth.

By the 1980s, India's economy was stagnating. The country faced high inflation, a balance of payments crisis, and a growing fiscal deficit. In response, the government began implementing economic reforms to reduce the state's role in the economy and promote private sector growth.

Key reforms introduced during the liberalization

The economic liberalization policies introduced in the 1990s marked a significant departure from India's previous policies. These policies included privatization, trade liberalization, and financial sector reforms.

Privatization involves the sale of state-owned companies to private investors. This policy was intended to reduce the state's role in the economy and improve the efficiency of these companies. Over the years, the government has sold off several state-owned companies in industries such as telecommunications, airlines, and steel.

Trade liberalization involved the removal of restrictions on foreign trade and investment. This policy was intended to promote exports, attract foreign investment,

Mr. A. C. Bajpai

and increase competition in the domestic market. The government reduced import duties, allowed foreign companies to invest in Indian companies, and allowed Indian companies to invest overseas.

Financial sector reforms involved the liberalization of the banking sector and the introduction of new financial products. These reforms were intended to improve credit access and encourage economic investment.

The impact of liberalization on India's economy

The impact of liberalization on India's economy has been significant. The country has seen a substantial increase in foreign investment, particularly in the IT and services sectors. The country's GDP has grown around 7% yearly since liberalization, and poverty rates have declined.

Liberalisation has also had several negative impacts. Income inequality has increased, with the benefits of economic growth primarily felt by the urban middle and upper classes. Environmental degradation has also been a concern, particularly in air and water pollution.

India in the Global Economy

In recent years, India has emerged as a significant player in the global economy. The country's economic liberalization policies have helped to attract foreign investment and promote economic growth. In this article, we will discuss the role of India in the global economy before liberalization, the impact of liberalization on India's position in the global economy, and the opportunities and challenges of further globalization for India.

The role of India in the global economy before liberalization

Before liberalization, India was a relatively closed economy. The country's import substitution policies and self-reliance had led to a focus on domestic production and a lack of engagement with the global economy. India's share of international trade was less than 1% in the 1980s.

The impact of liberalization on India's position in the global economy

The economic liberalization policies introduced in the 1990s significantly changed India's engagement with the global economy. The country's focus shifted from self-reliance to global integration, and foreign investment began to flow into the country. The country's share of international trade has increased significantly since liberalization, reaching around 2% in recent years.

Mr. A. C. Bajpai

India has also become a significant player in the global IT and services industry, with companies like Infosys, TCS, and Wipro becoming international brands. The country's large, educated workforce and low labor costs have made it an attractive destination for outsourcing and offshoring.

Globalisation

What is Globalisation?

The term globalisation refers to the integration of the economy of the nation with the world economy. It is a multifaceted aspect. It is a result of the collection of multiple strategies that are directed at transforming the world towards a greater interdependence and integration.

It includes the creation of networks and pursuits transforming social, economical, and geographical barriers. Globalisation tries to build links in such a way that the events in India can be determined by the events happening distances away.

To put it in other words, globalisation is the method of interaction and union among people, corporations, and governments universally.

Effect of Globalisation in India

India is one of the countries that succeeded significantly after the initiation and implementation of globalisation. The growth of foreign investment in the field of corporate, retail, and the scientific sector is enormous in the country.

It also had a tremendous impact on the social, monetary, cultural, and political areas. In recent years, globalisation has increased due to improvements in transportation and information technology. With the improved global synergies, comes the growth of global trade, doctrines, and culture.

Globalisation in the Indian economy

Indian society is changing drastically after urbanisation and globalisation. The economic policies have had a direct influence in forming the basic framework of the economy.

Economic policies established and administered by the government also performed an essential role in planning levels of savings, employment, income, and investments in the society.

Cross country culture is one of the critical impacts of globalisation on Indian society. It has significantly changed several aspects of the country, including cultural, social, political, and economical.

Mr. A. C. Bajpai

However, economic unification is the main factor that contributes maximum to a country's economy into an international economy.

Advantages of Globalisation in India

Increase in employment: With the opportunity of special economic zones (SEZ), there is an increase in the number of new jobs available. Including the export processing zones (EPZ) centre in India is very useful in employing thousands of people.

Another additional factor in India is cheap labour. This feature motivates the big companies in the west to outsource employees from other regions and cause more employment.

Increase in compensation: After globalisation, the level of compensation has increased as compared to the domestic companies due to the skill and knowledge a foreign company offers. This opportunity also emerged as an alteration of the management structure.

High standard of living: With the outbreak of globalisation, the Indian economy and the standard of living of an individual has increased. This change is notified with the purchasing behaviour of a person, especially with those who are associated with foreign companies. Hence, many cities are undergoing a better standard of living along with business development.

Impact of Globalisation

Outsourcing: This is one of the principal results of the globalisation method. In outsourcing, a company recruits regular service from the outside sources, often from other nations, that was earlier implemented internally or from within the nation (like computer service, legal advice, security, each presented by individual departments of the corporation, and advertisement).

As a kind of economic venture, outsourcing has increased, in recent times, because of the increase in quick methods of communication, especially the growth of information technology (IT).

Many of the services such as voice-based business processes (commonly known as BPS, BPO, or call centres), accountancy, record keeping, music recording, banking services, book transcription, film editing, clinical advice, or teachers are being outsourced by the companies from the advanced countries to India.

Opportunities and challenges of further globalization for India

Mr. A. C. Bajpai

Other globalization presents both opportunities and challenges for India. On the one hand, increased global trade and investment could boost economic growth and create jobs. On the other hand, globalization could also lead to increased competition and the displacement of workers in specific industries.

One of the main challenges for India in further globalization is the need to address infrastructure deficiencies. The country's ports, roads, and power supply systems often need to be improved and can be a barrier to increased trade and investment.

Another challenge is the need to address income inequality. Despite the country's economic growth, a significant portion of the population still lives in poverty. Globalization could exacerbate this problem if the benefits of growth are not distributed equitably.

Privatisation

The transfer of ownership, property or business from government to private sector is termed as Privatisation. The process in which a publicly-traded company is taken over by a few people (Private Company) is also called privatization. The company gives up the name 'limited' and starts using 'private limited' in its last name.

Privatization is considered to bring more efficiency and objectivity to the company, something that a government company is not concerned about. Also, it helps in escalating the performance benchmarks of the industry in general.

India went for **privatization** in the historic reforms budget of **1991**, also known as 'New Economic Policy or LPG policy'. Privatization has a positive impact on the financial growth of the sector which was previously state dominated by way of decreasing the deficits and debts.

Privatization will give ample space for creative and innovative thinking as well as systematic and strategic planning to realize the full potential of economy.

India adopted a number of economic restructuring measures such as privatisation, liberalisation, globalisation, etc. Former Prime Minister Rajiv Gandhi was way ahead of his time and his understanding of his nation was excellent. Looked like, he could foresee things.

During his era, the focus was also on privatisation, liberalisation, globalisation, deregulation and free-market economy. These were strange words in early 80s. People didn't know what privatisation meant.

Mr. A. C. Bajpai

Roots of privatisation lie in the Rajiv Gandhi era. License Raj was beginning to get a new face in his era. Ultimately “former Prime Minister Narasimha Rao’s government and then former Prime Minister Manmohan Singh’s initiative really brought privatisation” to the forefront, deregulation to mainstream and dismantle significant part of the License Raj.

Advantages of Privatization:

Improved Performance:

Performance improvement is measuring the output of a particular business process or procedure, then modifying the process or procedure to increase the output, increase efficiency, or increase the effectiveness of the process or procedure. Performance improvement can be applied to either individual performance or a commercial business. Private companies assess their employees based on their performance and adequately incentivise better performance.

Better Customer Service:

Since private companies are profit-driven and function in a competitive market, their primary focus rests on efficient customer service. When compared to government sector, most of the customers feel unsatisfied. But if the government concentrate and improve the customer satisfaction, efficiency and performance then customers might not go to private sectors, they might not show the willingness to visit private sectors. Customer satisfaction is been raised as private companies is looking for retention of customers due to competition by privatization.

Quality:

Due to privatisation people in India gets more quality goods.

Political Interference:

In a public company, there is a lot of political interference. This may affect the actions to do something that the company from taking economically beneficial decisions. However, a private company will not let political factors affect their performance.

More Productivity:

The private sector can improve productivity by maintaining efficiency in its operations.

Individual Motivation:

Mr. A. C. Bajpai

The success of the private sector resides in the profit motive. Privatization motivates the managers to make efficient in the operations of the enterprise so that I can earn more and more profits.

Disadvantages of privatization:

Prices:

Price is been raised as a private firm's main aim is to earn the profit, which affects the middle class and low class families. Because the income is less and they can't bare the highest prices. Private sector focuses more on profit maximization and less on social objectives.

Lack of Transparency:

There is lack of transparency in private sector and stakeholders do not get the complete information about the functionality of the enterprise.

Inflexibility:

There is also the issue of inflexibility that can come with privatization. Typically, governments sign lengthy contracts with private service providers. These contracts can span for decades, locking residents into one service provider for lifetimes. Although a private company might make itself attractive to win a contract.

Less Social Development:

Government or Public sector companies also keep doing social work simultaneously. In case privatization happens, it will result in fewer funds for society because private companies have no obligation to do social work.

No Welfare State:

The concept of welfare state may get defeated with the Privatization of economy. Private sector would not care about the society as its main objective is to earn profits.

Many Govt. firms are been having a loss due to privatisation. for e.g. Air India

Salaries given to workers is been lowered than the public sector.

Many fraud companies and organisations make frauds in a county like Kingfisher etc. and this is been raising problem in India.

No control over fee structure and other financial aspects.

Admissions can have a management quota for the sake of money.

The issue of privatisation has come to the forefront due to the poor performance of several public sector enterprises and the consequent huge fiscal deficits faced by the

Mr. A. C. Bajpai

government. One can conclude from this move of the Government that the private sector industries in India are not inefficient as public sector industries. Administrative and managerial inefficiency are the hallmarks of public sector industries. Government is unable to run these high cost public sector industries. Unable to correct this situation, the Government went for privatisation. So, it was a forced privatisation.

References

1. Mukesh kumar(2014), “ Impact of Economic reforms on India” IJIFR Volume1 Issue-7.
2. Vaghela Dharini Ishvarsinh (2014), “New Economic Policies: Liberalization, Privatization, Globalization” Journal of Social Sciences Year-2, Issue-5
3. Dr. Babita Thakur, Vinod Kumar Sharma, Som Raj(2012), “ Had Economic Reforms had an Impact on India’s Industrial Sector?” IOSR Journal Of Humanities And Social Science (JHSS) ,Volume 4, Issue 2,PP 01-07.
4. Dr.Meenu (2013), “Impact Of Globalisation And Liberalisation On Indian Administration” International Journal of Marketing, Financial Services & Management Research,Vol.2, No. 9, PP 120-125.
5. Puri.V.K., Misra S.K. “Economic Environment of Business”,2013 Edition ,Himalaya Publishing House.
6. <http://statisticstimes.com>
7. <http://data.worldbank.org>
8. <http://dipp.nic.in>
9. www.iasscore.in
10. <http://www.yourarticlelibrary.com/economics/what-are-the-economic-reforms-in-indiasince1991/897/>