

## Impact of Liberalization Privatization Globalization (LPG) On the Indian Economy: From 1991 To 2019

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### Abstract

The post-colonial Indian economy from 1950 to 1990 was based on Sino-Soviet model of socialist command economy. With the fall of the Berlin Wall (1989) and the collapse of the Cold War, the Indian government was forced to embrace neo-liberal norms within the socialist economy. This paper is based on analyzing the impact of neo-liberal norms of liberalization – privatization – globalization (LPG) on the Indian economy for the period 1991 to 2019. Existing research offers two competing hypotheses: One branch of economic research of ten conceptualizes that LPG had a positive impact on the overall economy. By contrast, another branch assigns negative impact, which strengthened the old socialist economy. In this article, I argue that the implementation of LPG had both positive and negative impact on the Indian economy. By drawing insights and data from scholarly articles this paper tries to depict an integral picture of the neo-liberal norms of LPG on the Indian economy. I conclude that the present Indian economy has both the strengths and weaknesses of the LPG model and it will continue to face economic challenges for a long time to come.

**Keywords:** Indian economy, liberalization, privatization, globalization

### 1.1 Introduction

Privatization is a concept that encompasses a vast collection of ideas, projects and approaches in the broadest sense of the word privatization. The work of government in the lives and teaching of the people strengthens the shopping center. In an acceptable sense, privatization involves transferring property from the state to the private sector, or transferring orders over property or activities, for example, by assets of privatization through a lease, while the ownership of the property is left to private individuals.

Privatization changes the way the state works and does not reduce many things. Testing and managing the privatized system described below is worrying and problematic. Similarly, the state has a startling determination to ensure that the privatized sector of the economy wins a lot of controversy and that the sensitive part of the population is not unnecessarily affected.

Privatization is an ongoing start-up process, especially in the 1980s. The term "privatization" was first introduced by Professor Peter Drucker in his 1969 book *Gap of Gap on Amendments to the Law*. Prof. Drucker says in his book *New Realities* that when the Economist inquired about the previous book, "he turned the general idea into a perfect engine that was not possible in anything of quality, form or structure." Launched by the British Prime Minister Margaret Thatcher since 1980, the steam has spread to many parts of the world and the two countries have significantly privatized their positions.

The financial changes initiated by the Government of India in 1991 provided a major boost to globalization. The 1980-81 periods proved the appropriateness of some of the challenges. Subsequent oil problems generously raised import bills, but progress was far behind. As a result, the need for exchange in the galaxy increased. In the seventh game plan, private settlements showed compatibility. Thus, only a net crime of 24% of the exchange rate deficit could be returned to the seventh approach. These questions were raised during the delta war of 1990-1991. This year the exchange rate deficit was Rs. 16,934 corers. The negative benefit was also distorted. The current record of deficit in 1990-91 was 17,369 rupees. Moreover, this issue was heavily dependent on cross-border credit for non-core costs and non-residential business in the 1980s, where priority aid development was not required. The capital moved people away, and people almost went bankrupt in credit. Near the domestic packaging sheds, many unanticipated changes were released in Western and Eastern Europe, Southeast Asia, Latin America and elsewhere. Important changes were made in the Indian economy in the mid-1990s. The new currency change is called liberalization, privatization and globalization (GPL). It has made fixtures to make the Indian economy the fastest and fully verifiable economy.

The schedule of changes attempted in the mechanical part was comparable because the money related segment had taken steps to dynamically qualify the economy. With the onset of the changes to transform the Indian economy in July 1991, others spread across India, at least billions of people. This phase of cash related progress not only had a major impact on recent monetary general improvement, but also from the perspective of Indian people who could be relieved of common, incredible circumstances, superstition, and preliminary abandon.

## 2.1 Literature Review

Kulkarni, G. K. (2010) mentioned that the Impact of Economic Change on India to examine the impact of globalization in India as well as the results of the post 1991 institutional segment 1995-2006. During 11 years, the turnover in the India was 13.3% per year and the pace of improvement by the company has expanded in its business processes and in its net preferences.

Kishore, G. K. (2012) stated that the "economic reforms affected India's industrial sector?" The impact of economic change has been most pronounced on an industrial scale. Reports have begun to show the current constructive results of Indian mechanics over the last two years of economic change, taking into account the salary level and the progressive pace of the department considering liberalization. Patjoshi. P.K. (2017) stated that that "According to the new economic policy: Liberation, Privatization and Globalization" assessed the new start-up plan of the Indian budget in the context of this practical assessment with speculative assessments of liberalization and privatization, partner information, globalization, trends, and the weight of these phenomena. Vaghela, Dharini, Ishvarsinh (2014) and Meenu (2013) mentioned that the Impact of Globalization and Liberation on Indian Administration discusses the Indian components of globalization and development and the relationship between globalization and progress to assess changes at different levels. Currently, the impact of liquefied natural gas on the Indian economy is measured by GDP, per capita income, employment and foreign direct investment, and so on.

## **2.2 What is LPG?**

**2.3 Liberalization** - Advancement (or progression) is any strategy for how a state raises constraints on some private individual endeavors. Advancement occurs for when something which was prohibited is not, at this point taboo or when government laws are released

**2.3 Privatization** - The term "privatization" has been found to bring wealth and excellent purpose to the union, which is not emphasized by the organizational organization. In 1991 significant changes in India have led to budget, although it is still referred to as the "New Economic Policy or LPG Approach".

**2.4 Globalization** - Globalization is the spread of things, development, information, and occupations across national edges and social orders. In financial terms, it represents a relationship of nations around the globe empowered through unhindered trade.

## **2.6 The major objectives of the new policy**

- a) Utilizing completely the indigenous abilities of business people.
- b) Fostering innovative work endeavors for the advancement of indigenous advances.
- c) Raising ventures.
- d) Removing controller framework and different shortcomings.
- e) Improvement in effectiveness and efficiency.
- f) Controlling monopolistic force.
- g) Assigning the correct territories for the open part endeavors.

- h) Ensuring government assistance as additionally aptitudes and offices to the laborers to empower them to confront new innovations.
- i) Retaining the ability to gain our own outside trade through fares.
- j) To accomplish independence.

## 2.7 Highlights of the LPG Policy

Following are significant highlights of the Liberalisation, Privatisation and Globalisation Policy in India:

- a) Elimination of Industrial licensing / Permit Raj
- b) Public sector role weak
- c) MRTP limit goes
- d) Establishment of privatization
- e) Freer entry to foreign investment and technology
- f) Industrial location policy liberalized

## 3.1 Objectives of the Study

- 1) To understand the impact of Liberalization, Privatization and Globalization policies on Indian Economy.
- 2) To understand strength and weakness of Liberalization, Privatization and Globalization policies on Indian Economy after 1991.

## 4.1 Research Methodology

For the completion of research paper has used Descriptive research method.

## 4.2. Data collection:

In this study the data has been collected from secondary sources.

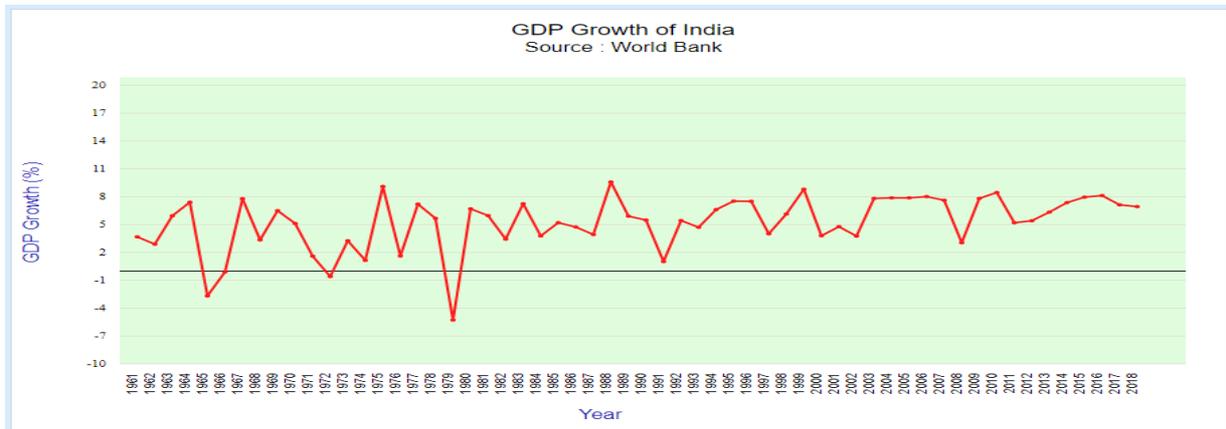
## 4.3 Secondary Data:

Secondary data collected from the Books, Internet, magazines, Journals and different types of research papers etc.

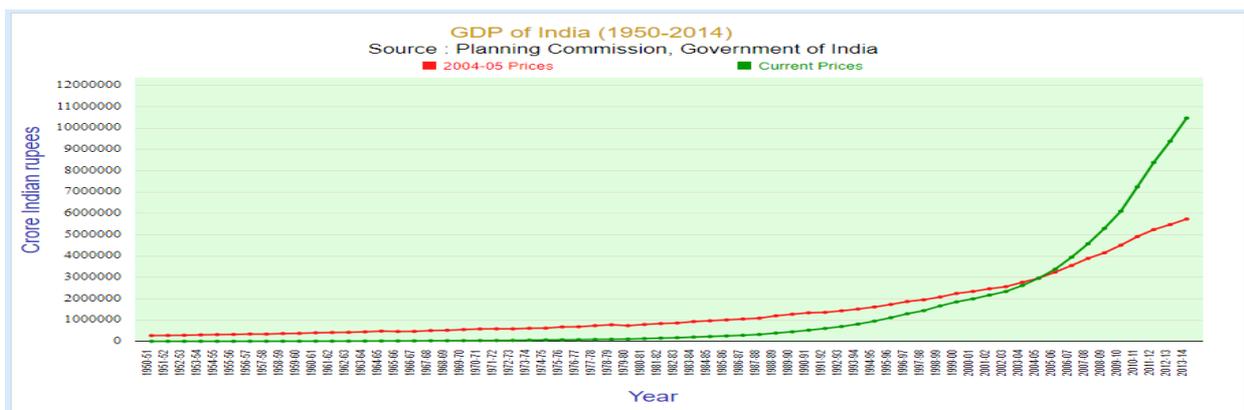
## 5.1 Strengths of LPG on Indian Economy

### A) GDP growth rate increase

Trading Economics (2011) India's GDP growth rate is increasing. 1990-1991 India's GDP per capita increased by only 1.1% after 1991. Due to the liquefied petroleum gas system, India's GDP growth remained low and in 2015 there were 7.26%, and in 2018-19 the IMF estimated 7.5%. The prohibition of economic liberalization, privatization and the transposition of unplanned and reduced Indian GDP measures ended after 1991.



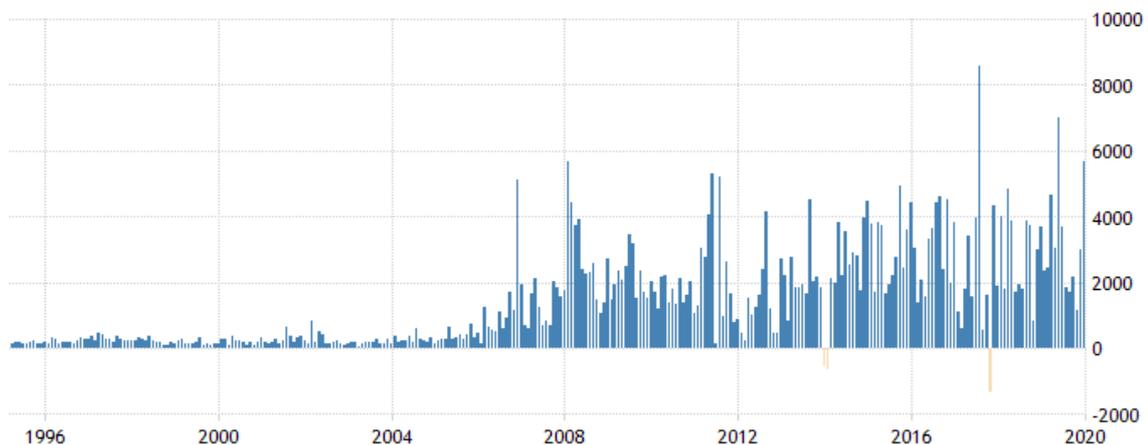
Source-<http://statisticstimes.com/economy/gdp-of-india.php>



Source-<http://statisticstimes.com/economy/gp-of-india.php>

## B) Foreign Direct Investment (FDI) boost

India has begun to show its quality as one of the fastest growing global markets. It is set for three challenging goals for estimation. Since this year, the state of the country has increased in volume as it is encouraging the people to make money related to this species. Govindan, P.



Source- <https://tradingeconomics.com/india/foreign-direct-investment> (USD converted into corers in explanation)

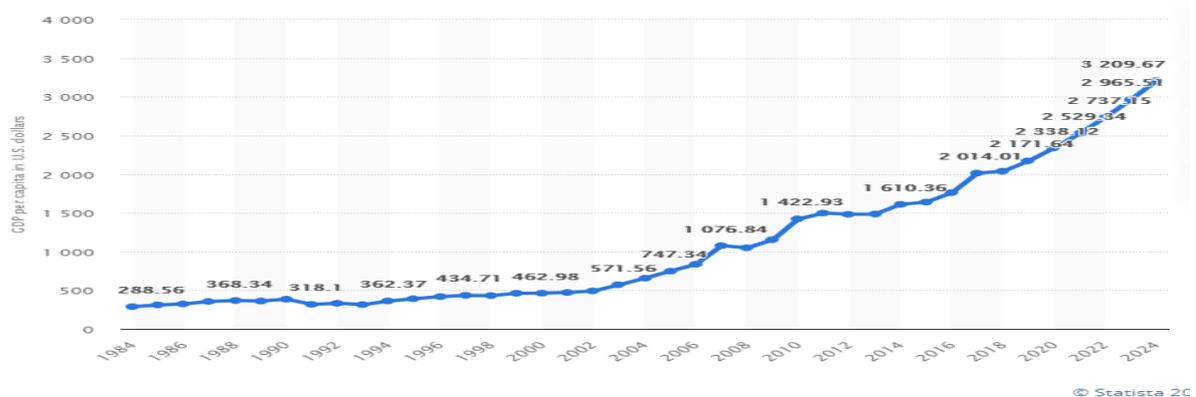
(2019) stated that the overseas India and foreign capital of more than a billion dollars, the United States and China have established themselves as a refinancing loan. India has 100%

FDI approval in corporate bodies, regional telecommunication and trade groups. In the private banking sector, the statement has expanded FDI, with margins higher than 26 percent to 49 percent - with no subsidies or full subsidies. S Deivamani, Meena Devi Gopi, G Poorna Abirami (2018) FDI is approved on the basis of 25% FDI approved in public banking. In 1991, FDI inflows were 408 million while India was growing faster in hiding in the free zone, so in 2015 FDI inflows to India were 106,693 crores in 2015.

**Table No.1-DIPP's Financial year wise FDI Equity Inflows:** DIPP, Quarterly Fact Sheet Fact Sheet on FDI From April, 2000 to June, 2018, \*(up to June-18) \*( April, 2000 to June, 2019)

Sr. No.	Financial Year	Amount of FDI Inflow (Rs.Crores)
1	2000-2001	10733
2	2001-02	18654
3	2002-03	12871
4	2003-04	10064
5	2004-05	14653
6	2005-06	24584
7	2006-07	56390
8	2007-08	98642
9	2008-09	142829
10	2009-10	123120
11	2010-11	97320
12	2011-12	165146
13	2012-13	121907
14	2013-14	147518
15	2014-15	189107
16	2015-16	262322
17	2016-17	291696
18	2017-18	288889
19	2018-19	85180

### C) Increase in per capita income



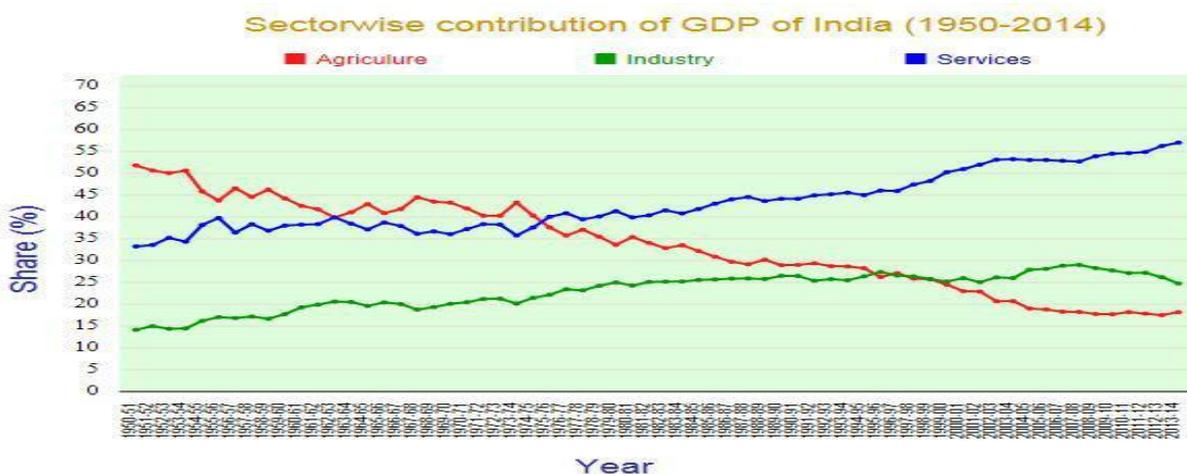
Sources - <https://www.statista.com/statistics/263776/gross-domestic-product-gdp-per-capita-in-india/> (USD converted into corers in explanation)

The per capita income or comparison indicates the normal amount of tuition to be paid to the buyer in the paid region (city, region, nation and national). To compensate for this, the stone and the stone are ordered to be removed. In India, per capita income was 5th. Per capita Income was Rs. 11235 at any rate in 2018-19 Per Capita Income is reached to Rs. 85180. The increase in employment, per capita wages have been earned due to the globalization and privatization of the new economy, various job openings are now being made, and people's wages are rising.

## 6.1 Weakness of LPG policy

### A) Agriculture Sector decline

Growth has been continues to be an important part for the Indian economy. Not only because it provides stability and services to individuals, but it also hopes the core industry will find and replace fake liquor stores during the adventure. In 1991, horticulture provides approx 72% of employment opportunities, contributing 29.02% in GDP. However, in 2014 its share of GDP fell by 17.9%. This has led to a decline in livestock wages per capita and an increase in the country's reputation. In 2014, regional crop production priorities across the country were as follows: agriculture (17.9%), industry (24.2%) and services (57.9%).



Source - <http://statisticstimes.com/economy/sectorwise-gdp-contribution-of-india.php>

### B) Foreign competition threats

The Indian economy is open to external resistance in the context of independence and foreign investment, the MNC will attract more MNC to India after 1991 to develop and negotiate and also they are doing combating neighborhood affiliations and affiliations. Hence, they can achieve the Indians closer to the organizations. They have a lot to do with India. Given the

criticism, non-participation and ineffectiveness of creativity, our membership in India is now growing.

### **C) Impact on Environment is negative**

Globalization has in like manner added to the destruction of the earth through defilement and liberating from vegetation spread. Global warming seems to be destroying land through the deterioration and release of crops. As participants move, the spread of plants can pose intermediate risks that hinder the implementation of various solutions. Further development eliminates infectious plants that are vulnerable to the longevity of individuals and many species.

### **D) Income inequality increases**

The global economy increase wages poverty in the country. International affairs are the only means to their prosperity and progress in the country. Higher rates of economic recovery are slowing due to lower costs for people to follow. Globalization has widened the gap between rich and poor, leading to inequality.

## **7.1 Conclusion**

Panagariya, A. (2008) stated in India's economic growth, like any other developed country, is rapidly advancing. Despite being considered a poor country after the dictatorship of 1947, India was declared one of the most powerful economies in the world. How will India achieve this strong goal? What lessons can be learned in other South African countries from India? Since 1991, a variety of policies have been implemented as an economic success in India.

Kumar M (2014) mentioned that overall; India has experienced better experiences of privatization, liberalization, and globalization than other developing countries. For India, the future looks bright as things go the same way in the late 1980s. India must continue liberalization. India has long-term growth potential, such as the Eastern Tiger in the 1960s and 1970s, when it adopted policies that promoted greater integration with world markets. India is already developing the information technology sector, which plays a vital role in its economic growth. India now needs to open more borders to encourage foreign investment. It offers investment opportunities for housing and helps the country achieve global economic success.

Economic changes are affecting the entire Indian economy. Several adjustments in the Indian economy have changed the strategy for liquefied gas, such as progress, privatization and globalization in 1991. Todaro, M. P., & Smith, S. C. (2009) states that these changes involve several important issues, such as the pace of progress. This framework now expands the possibilities for capital development, remote improvement and the administrative boundary of

the company level. Unemployment is falling accordingly. Nevertheless, there are certainly negative effects comparable to the current ones, such as a slight improvement in section development, refractive effect on the condition, etc.

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