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UG HISTORY (HONS) SEM VI
PAPER - CC - 14

LIBERALISATION IN INDIA

Since the adoption of the new economic strategy in 1991, there has been a drastic change in the Indian economy with the arrival of liberalisation the government has regulated the Private Sector organisation to conduct business transaction with fewer restriction.

For developing countries, liberalisation has opened economic borders to foreign companies and investments. Earlier Investor has to encounter difficulties to enter Countries with many barriers.

These barriers included tax laws, foreign investment restriction, according regulations, and legal issues. The economic liberalisation reduced all these obstacles and waived few restrictions over the control of the economy to the private Sector.

Objectives :- (i) To boost competition between domestic business.
(ii) To promote foreign trade and regulate imports and exports.
(iii) Improvement of technology and foreign capital.
(iv) To develop a global market of country.
(v) To reduce the debt burden of a country.
(vi) To unlock the economic potential of the country by encouraging the private sector and multinational Corporation to invest and expand
(vii) To encourage the Private Sector to take an active Part in the development process.

(viii) To reduce the role of the public sector in future industrial development.

(ix) To introduce more competition into the economy with the aim of increasing efficiency.

Reforms Under Liberlisation:— (i) Deregulation of the Industrial Sector.

(ii) Financial Sector Reforms.

(iii) Tax Reforms

(iv) Foreign Exchange Reforms.

(v) Trade and Investment Policy Reforms.

(vi) External Sector Reforms.

(vii) Foreign Trade policy Reforms.

Impact of Liberalisation:—

(A) Positive Impact of Liberalisation in India:—

(1) Free flow of capital:- Liberalisation has enhanced the flow of capital by making it affordable for businesses to reach the capital from investors and take a profitable project.

(2) Diversity for Investors:— The Investors will be benefitted by investing a portion of their business into a diversifying asset class.

(3) Impact on Agriculture:— In this area the cropping designs have experienced a huge change, but the impact of liberalisation cannot be accurately measured. Government restrictions and interventions can be seen from production to distribution of the crop.

(3) <u>Negative Impact of Liberalisation in India.</u>

(1) <u>The weakening of the economy</u>:- Enormous restoration of political power and economic power will lead to weakening the entire Indian economy.

(2) <u>Technological Impact</u>:- Fast development in technology allows many small scale Industries and other business in India to either adjust to changes or shut their businesses.

(3) <u>Mergers and Acquisitions</u>:- Here small businesses are merging with big companies therefore the small companies employees may need to enhance their skilled and technology advanced. This enhancing of skill and the time it might take may lead to non-productivity and can be a burden to the company's capital.

<u>Economic Reforms during Liberalisation</u>:- Several sector were affected by the outburst of the impact of liberalisation.

<u>Few economic reforms were</u>:-

(1) Financial Sector Reforms
(2) Tax Reforms / Fiscal Reforms.
(3) Foreign Exchange Reforms / External Sector Reforms
(4) Industrial Sector Reforms.

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