

# Impact of Economic Liberalisation on Indian Eco.

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Intro. -

The process of economic liberalisation was mainly started in 1991. It is also as the New Economic Policy. Some people call it the policy of LPG (Liberalisation, Privatisation & Globalisation).

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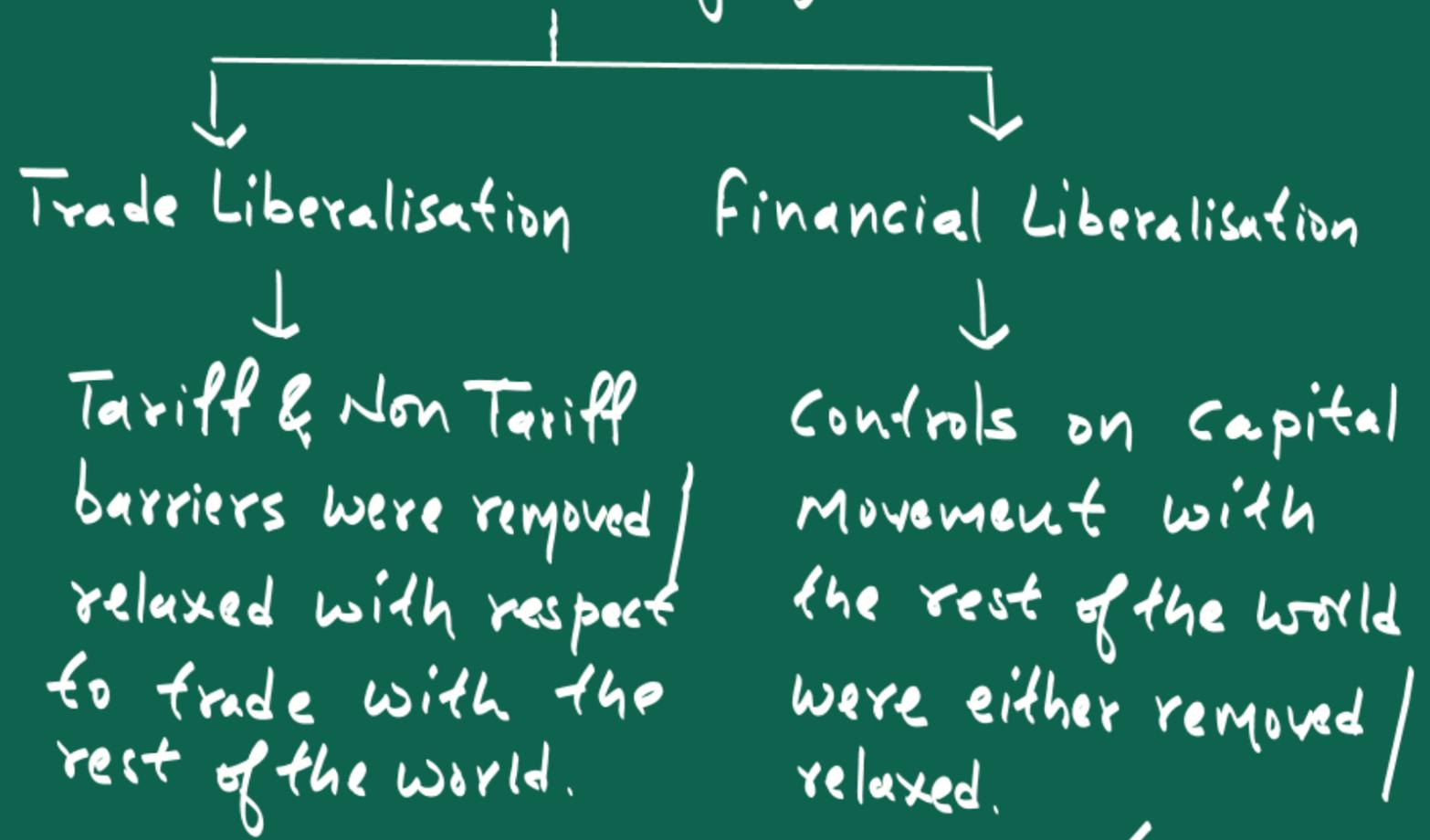
The process of economic liberalisation as implemented in India can be divided into two parts -

(i) Liberalisation of the domestic economy of India.



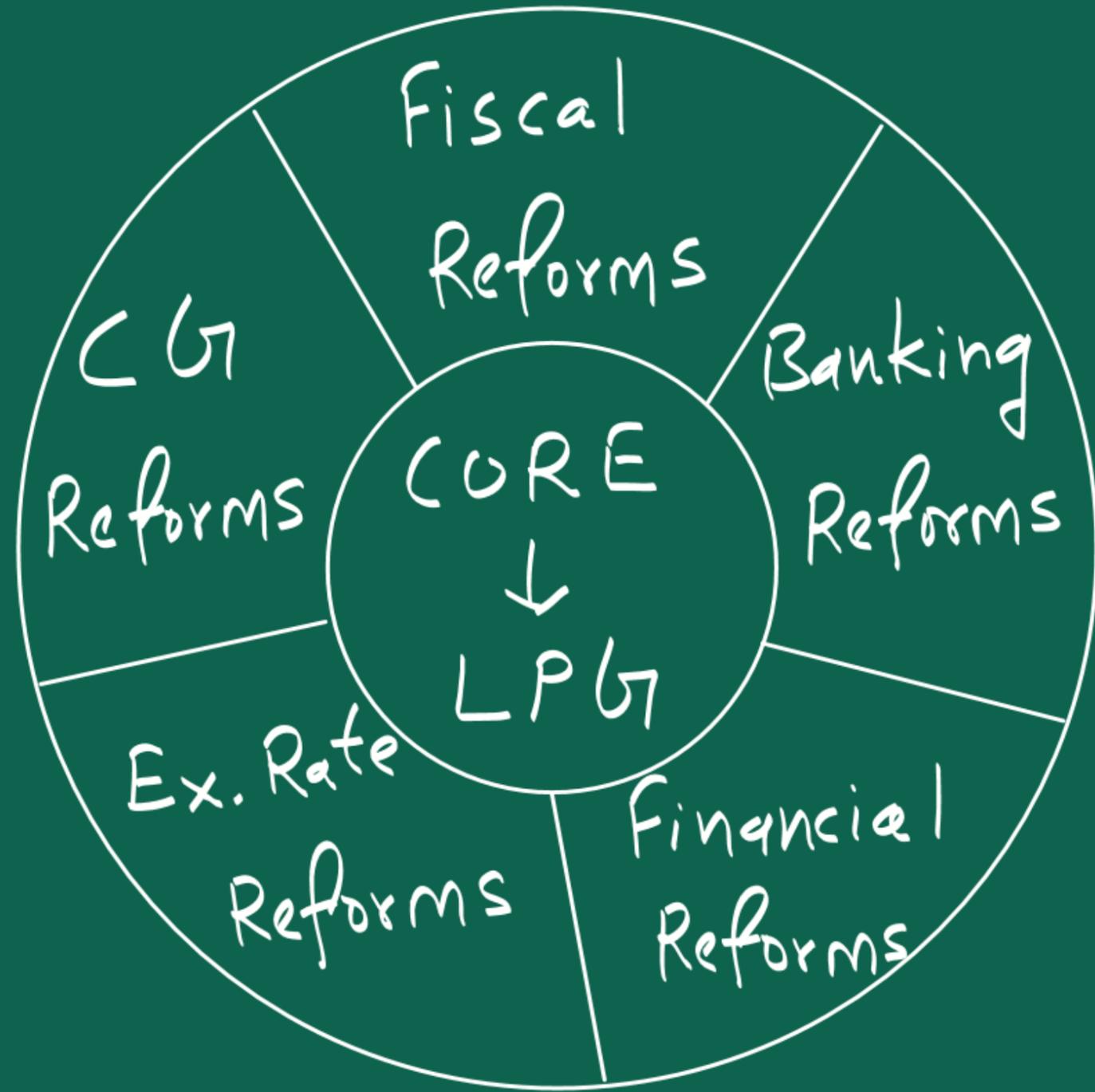
Under it, various restrictive rules, regulations, formalities, controls etc. governing various economic activities, particularly industrial activities were either removed or relaxed sufficiently so that people can use scarce economic resources in an efficient manner.

(ii) Liberalisation of the international economy of India.



Globalisation

In order to support the process of economic liberalisation, some other reforms were also undertaken like fiscal reforms, banking reforms, financial reforms, exchange rate reforms, corporate governance reforms & so on. This can be shown in the following diagram -



# Impact on Indian Economy

↓ Increase in the share  
in world merchandise exports.



1990 → 0.52%

2022 → 1.82%

(Source: World Trade Statistics)

2. Increase in Inward FDI.



8th Position, \$49 billion  
(In 2022)

Source: World Investment Report, 2023  
(UNCTAD)

Note: Dismal performance as compared to  
China -

2nd Position  
after USA, \$189 billion  
(In 2022)

Source: Same as above

What India should do?

- (i) World class infra
- (ii) Labour reforms
- (iii) EODR
- (iv) Better coordination between the centre & the state.
- (v) Better enforcement of IPRs, etc.

### 3. Increase in Outward FDI



- TATA Steel
- Bharati Airtel
- Hindalco
- Reliance Industries
- WIPRO
- TCS
- Suzlon
- ONGC

acquired

Various  
foreign  
companies

Apart from the above, the OVL (ONGC Videsh limited) is running various projects of gas & oil in various countries. This is helping in energy security of the country to some extent.

4. Increase in FPI



India's financial market is getting huge amount of liquidity.

Apart from this, the FPI is helping in financing of CAD.

## 5. Increase in Forex Reserves



1991 → Import Cover



7-days

Sept. 2021 → Import Cover



14.6 Months

6. Compositional Change in India's exports.



- L Petroleum Products
  - L Drugs
  - L Engineering goods
  - L Project Exports etc
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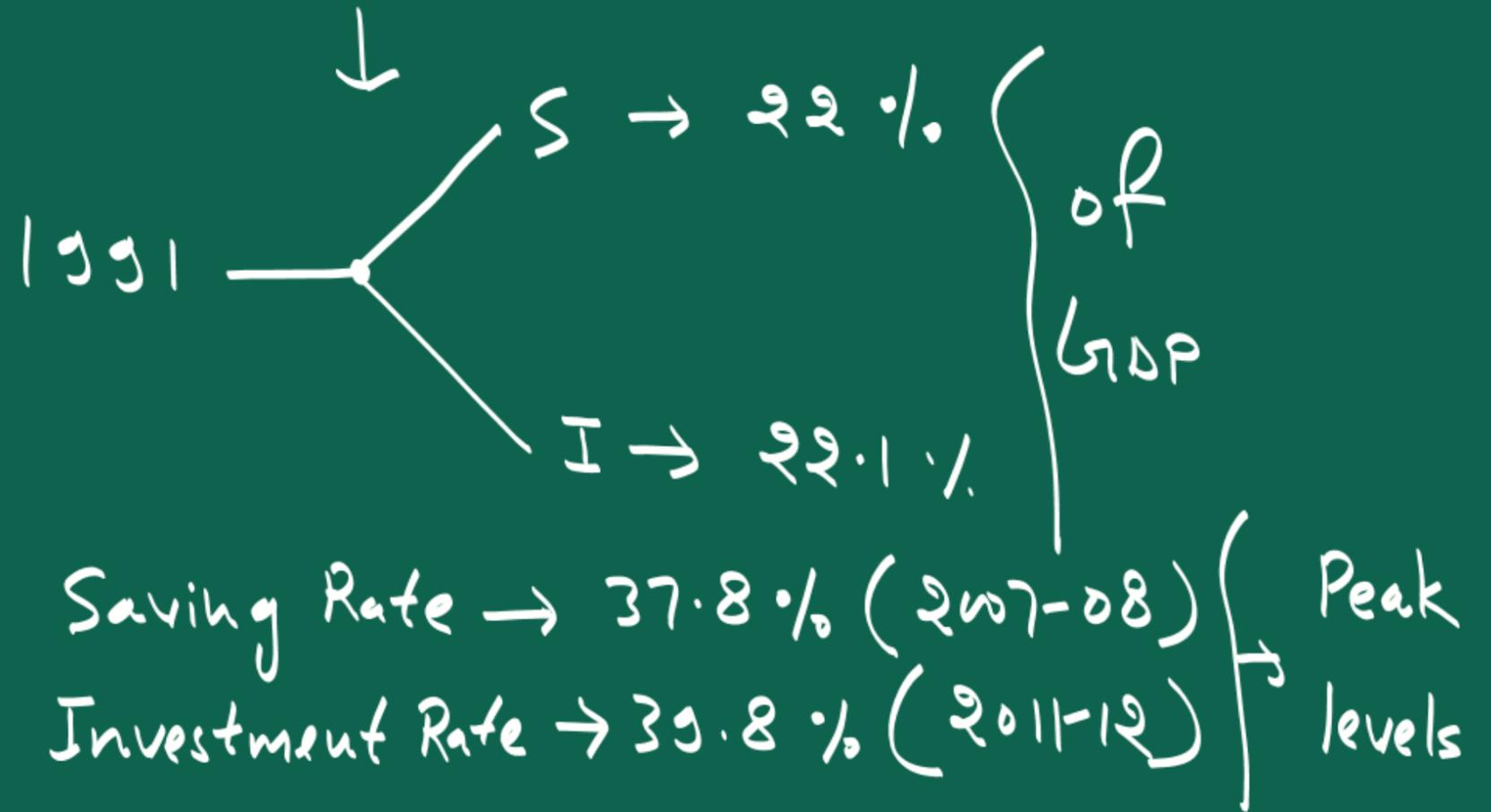
} Non-traditional Items.

7. Increase in GDP



- ↳ Trillion Dollar Economy for the first time — 2007
- ↳ Presently → \$3.73 Trillion (IMF)
- ↳ 5th largest economy.

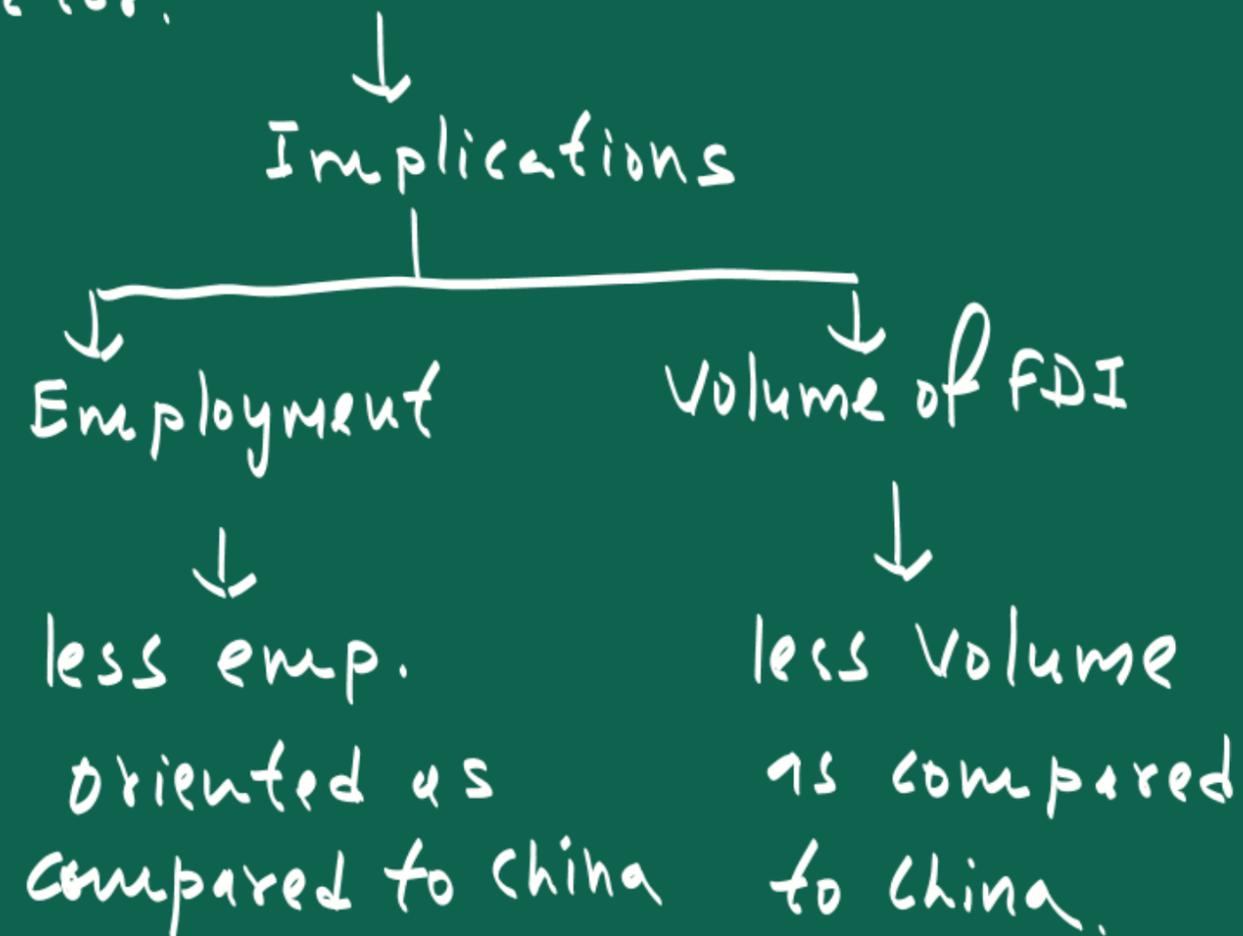
8. Increase in Saving & Investment Rates.



In spite of the above, the policy of economic liberalisation as implemented in India is not free from criticisms. In this respect, the following points need consideration-

1. FDI liberalisation created various issues -

(i) A big part of it came into services sector, not in the manufacturing sector.



- ✓ Goods
- ✓ Services
- ✓ Capital
- ✓ Labour



Liberalisation