

IMPACT FACTOR SJIF 2019-6.380

ISSN 2319-4766



SRJIS

# GLOBALIZATION & ITS IMPACT ON INDIAN ECONOMY (GIIE 2020)

Special Issue of  
An International, Peer Reviewed & Referred  
**SCHOLARLY RESEARCH JOURNAL FOR  
INTERDISCIPLINARY STUDIES**

JAN-MAR, 2020, V-8/44

**Editor-In-Chief**

Prin. Dr. G. N. Shinde

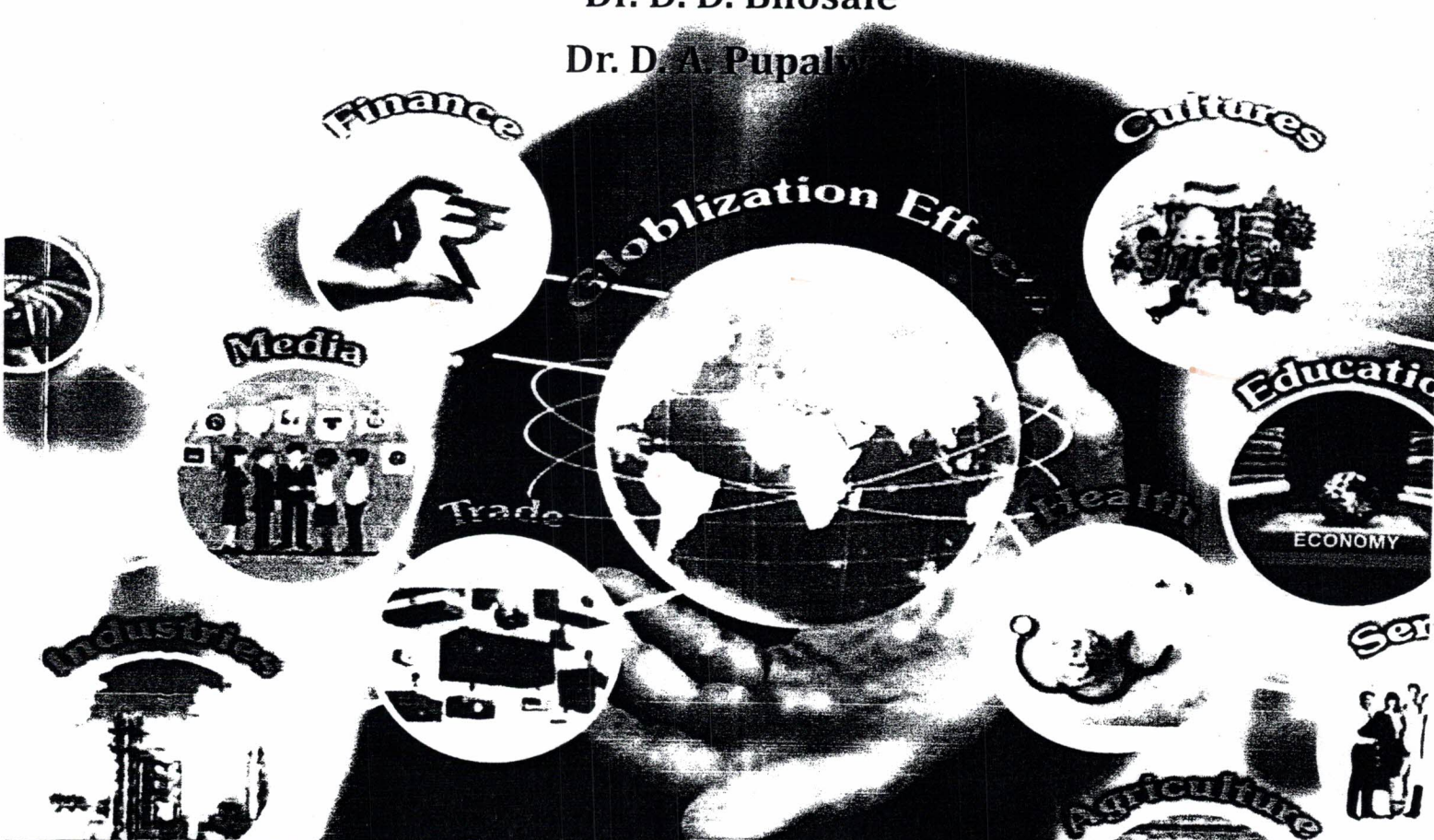
**Editor**

Dr. P. R. Muthe

**Co-Editors**

Dr. D. D. Bhosale

Dr. D. A. Pupaly



27	<b>GLOBALIZATION -IMPACTS ON INDIAN ECONOMY</b> <i>Dr. Mohit. R. Raut</i>	138-141
28	<b>GLOBALIZATION: ITS IMPACT ON POVERTY AND INEQUALITY</b> <i>Mrs. Kamble Shiladevi Pandurang</i>	142-146
29	<b>GLOBALIZATION AND ITS IMPACT ON INDIAN ECONOMY</b> <i>Prof. Vijaykumar R. Soni</i>	147-150
30	<b>IMPACT OF GLOBALIZATION ON SOCIAL AND CULTURAL LIFE OF INDIA</b> <i>Kashinath N.Chavan</i>	151-153
31	<b>GLOBALIZATION : THE IMPACT ON INDIAN SOCIETY</b> <i>Prof. Sarita Baburao Kadam</i>	154-156
32	<b>IMPACT OF GLOBALIZATION ON INDIAN AGRICULTURE</b> <i>Dr. T.M. Gurnule</i>	157-161
33	<b>GLOBALIZATION AND ITS EFFECT ON RURAL INDIA</b> <i>Mr. Mahesh Dattatreya Gawade</i>	162-165
34	<b>TO ANALYZE THE NECESSITY OF DIGITAL MARKETING IN INDIA IN GLOBALIZATION ERA</b> <i>Mrs. Mrudul C. Kamble</i>	166-168
35	<b>GLOBALIZATION AND ITS IMPACT ON INDIAN AGRICULTURE</b> <i>Mr. Devidas Gokul Gavali</i>	169-172
36	<b>POSITIVE IMPACT OF LPG ON INDIAN ECONOMY</b> <i>Dr. Donge Satish B.</i>	173-176
37	<b>IMPACT OF GLOBALIZATION ON INDIAN AGRICULTURE</b> <i>Dr. D.M. Pawar</i>	177-178
38	<b>IMPACT OF GLOBALISATION ON SOCIETY AND CULTURE</b> <i>Miss. Papita Pralhad Kamble</i>	179-184
39	<b>IMPACT OF GLOBALIZATION ON ENVIRONMENT</b> <i>Rajesh D. Rokde</i>	185-186
40	<b>IMPACT OF FDI ON LIFE INSURANCE SECTOR</b> <i>Shri. Hanawate Gangadhar Bapusaheb &amp; Prof.Dr.Balasaheb Shivaji Pawar</i>	187-190
41	<b>GLOBALIZATION AND ITS IMPACT ON VARIOUS SECTORS OF INDIAN ECONOMY</b> <i>Dr. Suresh Chandrakant Mehetre</i>	191-194
42	<b>GLOBALIZATION AND POLITICS</b> <i>Dr. Vijay Hattekar &amp; Mukund Yegaonkar</i>	195-196

## POSITIVE IMPACT OF LPG ON INDIAN ECONOMY

**Dr. Donge Satish B.**

*Asstt. Professor and Head, Department of Economics,  
Arts Commerce and Science College, Gangakhed, Dis-Parbhani.  
donge.satish@gmail.com*

### Introduction

India opened up the economy in the early nineties following a major crisis that led by a foreign exchange crunch that dragged the economy close to defaulting on loans. The country ran out of foreign exchange reserves. To face the crisis situation, the government decided to bring about major economic reforms to revive Indian economy. These reforms were popularly known as 'structural adjustments' or 'liberalization' or 'globalization'. The government announced a New Economic Policy on July 24, 1991. This new model of economic reforms is commonly known as the LPG or Liberalisation, Privatisation and Globalisation model. Liberalisation refers to process of making policies less constraining of economic activity and also reduction of tariff or removal of non-tariff barriers. The term "Privatisation" refers to the transfer of ownership of property or business from a government to a private owned entity. Globalisation refers to the expansion of economic activities across political boundaries of nation states. More importantly perhaps it refers economic interdependence between countries in the world economy. Prime Minister of the country, P V Narasimha Rao initiated ground breaking economic reforms. Dr. Manmohan Singh was the Finance Minister at that time he assisted Narasimha Rao and played a key role in implementing these reform policies. The

reforms did away with the License Raj, reduced tariffs and interest rates and ended many public monopolies, allowing automatic approval of foreign direct investment in many sectors. The primary objective of this model was to make the economy of India the fastest developing economy in the globe with capabilities that help it match up with the biggest economies of the world.

### Objectives of the Study

- 1) To understand the impact of LPG policy on Indian Economy.
- 2) To know the negative effect of LPG policy on Indian Economy after 1991.

### Research Methodology

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

### Data collection:

In this study the data has been collected from secondary sources. Secondary data collected from the Books, Internet, magazines, Journals and different types of research papers etc.

**Economic reforms-** In 1991 after India faced a balance of payments crisis, it had to pledge 20 tons of gold to Union Bank of Switzerland and 47 tons to Bank of England as part of a bailout deal with the International monetary fund. In addition the IMF required India to undertake a series of structural economic reforms so. Government had decided to bring about major economic reforms to revive Indian economy. These reforms were popularly

known as 'structural adjustments' or 'liberalization', Privatization and 'globalization'

### **New Economic Policy 1991**

The government announced a New Economic Policy on July 24, 1991. This new model of economic reforms is commonly known as the **LPG or Liberalisation, Privatisation and Globalisation model**. Prime Minister of the country, P V Narasimha Rao initiated economic reforms with the help of Dr Manmohan Singh. The reforms did away with the License Raj, reduced tariffs and interest rates and ended many public monopolies, allowing automatic approval of foreign direct investment in many sectors.

### **What is LPG?**

**Liberalization-** Liberalisation refers to process of making policies less constraining of economic activity and also reduction of tariff or removal of non-tariff barriers.

**Privatization-** The term "Privatisation" refers to the transfer of ownership of property or business from a government to a private owned entity.

**Globalization-** Globalisation refers to the expansion of economic activities across political boundaries of nation states. More importantly perhaps it refers economic interdependence between countries in the world economy.

### **Positive Impact of LPG on Indian Economy-**

- **Increase in GDP growth rate**

India's GDP growth rate is increased. During 1990-91 India's GDP

growth rate was only 1.1% but after 1991 reforms due LPG policy India's GDP growth rate is increased year by year and in 2015 it was recorded 7.26 and in 2015-16 it is estimated to be 7.5% by IMF. Because of the Abolition of Industrial licensing, privatisation, advanced foreign technology and Reduction of taxes India's GDP is increased after 1991 reforms.

- **Increase in Foreign Direct Investment (FDI)-**

India has already marked its presence as one of the fastest growing economies of the world. It has been ranked among the top 3 attractive destinations for inbound investments. Since 1991, the regulatory environment in terms of foreign investment has been consistently eased to make it investor-friendly. India has also firmly established itself as a lucrative foreign investment destination, with foreign capital inflows of over US\$ 31 billion in 2015 - surpassing the US and China. India has allowed 100% FDI in medical services, Telecom sector, and single brand retail etc. FDI cap increased in insurance & sub-activities from 26% to 49% and also in Private Sector Banking- Except branches or wholly owned subsidiaries (74%) FDI is allowed and in Public sector banking 20% FDI is allowed under Make In India scheme. In 1991 FDI inflow was 408 crores only but after India has made those reforms of Globalization and Privatization and free entry policy as a result FDI inflow in India was 106,693 Crores in 2015.

**Table No.1: DIPP's Financial year wise FDI Equity Inflows:**

Sr. No.	Financial Year	Amount of FDI In-flow (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	106693
	<b>Total</b>	<b>13,40,231</b>

Source-[http://dipp.nic.in/English/Publications/FDI\\_Statistics/FDI\\_Statistics.aspx](http://dipp.nic.in/English/Publications/FDI_Statistics/FDI_Statistics.aspx)

- **Increase in per capita income-**

Per capita income or average income measures the average income earned per person in a given area (city, region, country, etc.). It is calculated by dividing the area's total income by its total population. In

1991 India's Per capita Income was Rs. 11235 but in 2014-15 Per Capita Income is reached to Rs. 85533. Per Capita income is increased due to Increase in Employment, due to new economy policy of globalization and privatization many job opportunities are created so, people's income was increased.

Year	Per Capita Income
1991	Rs.11535
2011-12	Rs.64,316
2012-13	Rs.71,593
2013-14	Rs. 80,388
2014-15	Rs. 88,533
2014-15	Rs. 88,533

Source-Abhishek Joshi(2014) The 10 years of UPA government (India) (2004-14), SlideShare PP -56

- **Unemployment rate is reduced-**

In 1991

unemployment rate was 4.3% but after India adopted new LPG policy more employment is generated because of globalisation many new foreign companies came in India and due to liberalisation many new entrepreneurs have started new companies because of a abolition of Industrial licensing / Permit Raj so, employment is generated, and due to which India's unemployment rate is reduced from 4.3% in 1991 to 3.6% in 2014.

**Conclusion**

Economic reforms have an important impact on Indian economy. There are many changes in Indian economy, after adaptation of the policy of LPG i.e. Liberalisation, Privatisation and Globalisation in 1991. Because of these reforms many good things are happening like increase in the India's GDP growth rate, Foreign direct Investment and Per Capita Income. Policy has facilitated the flow of foreign capital, technology and managerial expertise thereby improving efficiency of industry. Also, unemployment rate is reduced. Though there are certain negative impacts are also there like low growth of agricul-

ture sector, adverse impact on environment etc. Lastly we can say that development in India is taking place because of implementation of this policy.

**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.