Liberalization and Indian Business

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Abstract

Liberalization helps the nation to open its economy for the business. Liberalization can be termed as the relaxation of the control of Government on the economic, social and political areas for doing the business across the border. A protected market cannot motivate the corporate world to do the business internationally. Liberalization helps the export and import business at large. Liberalization helps the multinationals to make easy the business abroad. Indian Government announced a new industrial policy on 31st May, 1990, which was the milestone for initiating the liberalization in India. Before the liberalization process India was a highly protected country for the global business.

Key Words: Monopolistic Restrictive Trade Practices (MRTP), Foreign Exchange Regulatory Act. (FERA), EXIM (Export Import) Policy, Small Industries Development bank of India (SIDBI), Foreign Direct Investment (FDI).

Introductory View

Nowadays world has become a global village. Modern business has its expansion beyond the borders of the nations. International business is more progressive and gainful than domestic business. Countries can avail the benefit of competitive advantage through the international business. Liberalization has facilitated the nations to expand their business within foreign countries. Liberalization helps the export and import business at large. Liberalization helps the multinationals to make easy the business abroad. A protected market cannot motivate the corporate world to do the business internationally. Liberalization can be termed as the relaxation of the control of Government on the economic, social and political areas for doing the business across the border. Many big industrial houses of India are making to exports to many developed countries. Hence liberalization process has gives a new shape to Indian business.

Research Methodology

This paper is based on the three main parts i.e. introduction, main text and conclusion. For analyzing the role of liberalization secondary data have been used from the published and online sources. The conclusion drawn in the end cannot be applied to any particular industrial sector. This is a general study which is based on the
impact of liberalization on the Indian business.

**Objectives**

The prime objective of this paper is to highlight the impact of liberalization process on Indian business. For studying the role of liberalization the researcher has considered the various aspects of liberalization process and its outcomes in the Indian scenario. Secondary objective is to present a concise form of inferences in the form of conclusions.

**Indian Scenario**

In India liberalization is the encouraging factor of international trade and business. It is the encouraging factor of international trade and business. In India liberalization process started in 1991. On 31st May, 1990, Indian Government announced a new industrial policy which was the milestone for initiating the liberalization in India. Before the liberalization process India was a highly protected country for the global business. In this year, Government initiated a significant shift to an open economy for allowing the private sector to do business at international level. Main reform in the liberalization process has been on foreign investment which has resulted in the effective picture.

The liberalization process of the country has emphasized mainly on gradualism and evolutionary transition. Industrial policy was restructured for initiating the liberalization process in the industrial sector. Main step towards the liberalization was the de-licensing. Now we can buy foreign products in the country very easily which was like a dream before 1991. In 2001, quantitative restrictions were abolished on manufactured consumer goods and agricultural products which have created an effective base for the international trade in these areas. Government has deregulated the financial system for more exposure in the international financial market for making the free trade.

For giving more free environment to the industries, government is providing special relaxations to the Monopolistic Restrictive Trade Practices (MRTP) and Foreign Exchange Regulatory Act. (FERA) companies. In 1982, to achieve maximum capacity utilization, the scheme of capacity re-endorsement was announced. For promoting the exports, special incentives have been announced for the 100% export oriented units. A separate liberalized EXIM (Export Import) policy has been announced for the purpose.

For promoting the micro, small and medium enterprises various facilities have been provided to the entrepreneurs like Small Industries Development bank of India (SIDBI) has been established for catering the financial needs of the small industries. Government has been raising the investment limit in the plant and machinery time to time for making the industrial sector more competitive.
The big benefit of liberalization has been the inflow of foreign investment in the country. Government has introduced Foreign Direct Investment (FDI) in various industrial sectors. Some sectors have been opened up to 100% investment for achieving the benefit of foreign technology and skills. FDI is the prime source of non-debt financing for the Indian industry. According the database of India Brand Equity Foundation (IBEF) the Indian economy received the investment of US$ 44.9 billion in 2015.

**Table 1: Year Wise Foreign Direct Investment in India (In US $ Million)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment (US $ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09</td>
<td>22697</td>
</tr>
<tr>
<td>2009-10</td>
<td>22461</td>
</tr>
<tr>
<td>2010-11</td>
<td>14939</td>
</tr>
<tr>
<td>2011-12</td>
<td>23473</td>
</tr>
<tr>
<td>2012-13</td>
<td>18286</td>
</tr>
</tbody>
</table>

**P**: Provisional

Note: Statics includes FDI through SIA/FIPB and RBI routes only.

**Source: RBI Statistics**

Liberalization has facilitated the huge amount of FDI for the Indian business. Recently India has got a big achievement in which Japan has won the right to construct the first bullet train of the country. Japan offered a loan of US$ 8.11 billion to the country for this project. Experts have the view that the emergence of liberalization will be helpful for Indian industrialist to access foreign markets more successfully.

**Conclusion**

Globalization has given the speed to the Indian business by enabling its entrepreneurs towards innovative practices. Indian businessman has presented themselves at global level with the ideas. Indian economy is capturing the attention of many developed nations. A sound industrial base has come into existence at international level which will certainly helpful for the Indian business. Many big industrial houses of India are making to exports to many...
developed countries. MNC culture has come in the country as the result of which the craze for foreign products is no more among the domestic buyers. Hence liberalization process has gives a new shape to Indian business.

References


