Impact of Liberalization, Privatization and Globalization on India

Pankaj Kumar Jain, Indian Institute of Finance, Noida

Abstract

India’s post-independence development strategy showed all the signs of stagnation, but the economy started showing the sign of recovery in the early nineties when the government adopted the new economic model known as Liberalization, Privatization and Globalization (LPG) to meet a grave economic crisis; characterized by unprecedented adverse balance of payment problem, inflation, decline in the foreign exchange reserve and the Gross Domestic Product (GDP) growth rate. The objective of the economic reforms adopted by the Indian Government was to transform a backward and predominantly agrarian economy, lacking in basic infrastructure, into a modern developed economy. The present paper is an attempt to measure the impact of the LPG on Indian economy and the changes in key economic indicators during pre and post liberalization period. The study using a dummy variable regression model on the India’s Gross Domestic Product and Gross Domestic Savings (GDS) over a period of 61 years (1950-51 to 2010-11) found a significant impact of LPG model on India’s GDP and GDS. The paper also compares the impact of liberalization policy on Indian and Chinese economy.