

Concept and Impact of Liberalisation - Advantages & Disadvantages

Concept of Liberalisation :-

Progressive elimination of government control over economic activities is known as “liberalisation”.

In 1991, the Government of India took several decisions about industrial development which indicated tendency towards more and more privatisation.

Liberalisation refers to freedom to business enterprises from excessive government control and they are given freedom to make their own decisions regarding production, consumption, pricing, marketing, borrowing, lending & investments.

The major elements of Liberalisation in India includes the followings :

1. De-licencing of industries :-

The Industrial Policy 1991 abolished (cancelled), licencing for most industries which helped Indian companies to concentrate on productive activities.

The 6 industries that required licencing are alcohol, cigarettes, industrial explosives, defence product, drugs & pharmaceuticals, hazardous chemicals, etc.

2. Liberalisation of foreign investment :-

The necessity to obtain approval for foreign investment from various government authority often caused delayed. At present FDI is 100 % in certain sectors such as infrastructure, exports, hotels, tourism, etc. The Liberalisation of FDI has resulted in certain benefits such as increased inflow of foreign capital, Development of skills of Indian personnel due to foreign MNCs training transfer of technology by foreign partners to Indian firms.

3. Liberalisation of foreign technology imports :-

The liberalized import of foreign technology led to technological improvement in Indian industries. This helped in getting automatic permission for foreign technology imports and no permission was required for hiring foreign technicians & foreign technology testing.

4. Liberalisation of industrial location :-

The Industrial Policy 1991 stated that, there is no need to obtain approval from central government for industrial location. This enabled the Indian firms to set up industries at a right location of their choice without much interference from government authority.

B.Com – Notes - Simple and Easy notes

5. Liberal taxation :-

The government of India has introduced liberal reduction in taxation rates on direct tax & indirect tax, customs, excise, service which has greatly benefited the firms operating in India.

Advantages of Liberalisation :-

1. Increase in foreign investment.
2. Increase in efficiency of domestic firms.
3. Rise in the rate of economic growth.
4. Control of price.

Disadvantages of Liberalisation :-

1. Increase in unemployment.
2. Loss to the domestic unit.
3. Increased dependence on foreign nations.
4. Unbalanced development of sectors.

Bcomnotes.in