

FROM FLAME TO FORTUNE: UNRAVELING THE SOCIO-ECONOMIC DYNAMICS OF LPG POLICY SHIFTS IN THE INDIAN LANDSCAPE

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ABSTRACT

The first time that LPG was made available to the public was in the newly established hemisphere, which is also the location where the Indian industrial economy emerged and evolved. LPG is an acronym that stands for liberalization, privatization, and globalization, which are the three themes that are being discussed. A comprehensive understanding of the world commercial sector, which was free of any impediments and operated without any pauses, was possessed by the Indian government. Increasing our nation's reliance on the global trade economy, easing restrictions on investments and international trade, and triggering action to convert failed public sector business organizations to privately owned businesses are all steps that the Indian government has adopted in order to achieve the same in our country. All of these steps are aimed at achieving the same goal. In order to make this point abundantly obvious, the Indian government was the driving force behind the incorporation of LPG into our economy. This allowed it to become more accessible to the global economy and made it simpler for our nation to amass a substantial quantity of riches, talent, renown, and honor during that time period.

KEYWORDS: Economy, Globalisation, International Trade, Liberalisation, Privatisation.

I. INTRODUCTION

LPG stands for Liberalisation, Privatisation, and Globalisation, which are the three main focuses of the New Economic Policy of the Indian government in 1991. Under the direction of Finance

Minister Dr. Manmohan Singh and Prime Minister Shri P V Narasimha Rao, the LPG Policy was introduced. While privatisation entailed handing over ownership of state-owned businesses to the private sector, liberalisation sought to lessen government regulation and supervision. The main goals of globalisation were to increase economic activity and include India into the world economy. These three pillars worked together to create the foundation for the LPG reforms, which represented a dramatic change in India's economic strategies.

A. Liberalization

The state's control over economic activities is eliminated by liberalisation. Without intervention from the government, it ensures that enterprises will have a greater degree of autonomy in making decisions for themselves. In order to achieve improved effectiveness and to restore economic stability, it was expected that the market principles of demand and supply would function naturally. This was done in order to produce efficiency improvements. In fact, through the free flow of foreign exchange and trade from government control, this is achieved by promoting reforms in both domestic and external sectors.

B. Privatization

This means that the government enterprise's ownership or management will be withdrawn. Turning public agencies into private corporations can be accomplished in two ways. Whenever the government is involved in the ownership or operation of a public sector company, the government suffers. When the government transfers ownership and management of a company to private investors, this process is known as privatization. The government's involvement diminished when property rights moved from public to private ownership. Low efficiency, poor profitability, increasing losses, political meddling, a lack of autonomy, labor concerns, and other problems have plagued public sector firms since planning.

C. Globalization

Globalization can be defined as a relationship between national economies and the global economy. It's a method to open up the global movement of people, products, services, capital investments, and data. By uniting markets, investments, and commerce from across nations, it effectively forms a single market. A more unified economy is being fostered.

II. REVIEW OF LITERATURE

- **Rao and Khan (2017)** assessed the efficacy of LPG in reducing indoor air pollution and reviewed government programs. A key focus is on the environmental aspects of changes to LPG policies. Examining the policy's impact on larger sustainability targets, this research highlights the significance of taking a comprehensive strategy to protect the environment.
- **Patel and Joshi (2018)** reviewed the health consequences linked to this change in detail. For the sake of public health, it is essential to switch from using conventional cooking fuels to LPG. Contributing to our understanding of the health impact of LPG policy modifications, the study analyzed studies on respiratory ailments and general health gains.
- **Gupta and Singh (2018)** traced the development of LPG subsidies from their beginning in the 1980s to the most current modifications. There has been a complicated interaction of social, political, and economic elements in the development of LPG policy in India throughout history. Globalization and shifting government objectives are highlighted in the research, which analyzes important policy adjustments and the socio-economic ramifications of these transitions.
- **Smith et al. (2019)** examined how LPG policies have affected women's responsibilities at home, highlighting the positive and negative effects. The complex mechanisms of LPG adoption are revealed via a gendered lens. The review illuminates the ways in which policy changes interact with conventional gender norms to impact women's agency and status by utilizing qualitative data.
- **Choudhury and Verma (2019)** examined the LPG industry's market dynamics. Authorities in India are paying close attention to the potential economic effects of changes in LPG policy. Their research shed light on the function of LPG in stimulating economic expansion by examining patterns, investments, and job creation.
- **Sharma and Li (2019)** conducted an extensive analysis comparing LPG policy in different nations. The method used by India can be better understood by comparing it with worldwide LPG programs. The advantages, disadvantages, and possible solutions for the Indian setting can be better understood via this comparative perspective.
- **Patel and Joshi (2019)** examined the effects on health of switching from conventional to liquid petroleum gas (LPG) in India's kitchens. By combining the results of many epidemiological investigations, they arrived at a comprehensive assessment. In order to quantify the influence

on respiratory infections, their study utilized meta-analysis methodologies. In order to provide a more complex picture of the wider health effects, the study also took qualitative data into account.

- **Das and Patel (2020)** highlighted the revolutionary effects of LPG on productivity, health, and revenue generation. The use of LPG has major consequences for people's livelihoods in rural India, particularly women's livelihoods. A complex web of interplay between rural socioeconomic realities and policy-driven changes in cooking fuel choices was revealed by this.
- **Gupta and Sharma (2020)** looked into how consumers feel about the introduction of LPG and what variables impact their preferences and usage habits. The key to successful policy implementation is a deep understanding of consumer behavior. For legislators aiming to encourage continuous LPG consumption, this study provided useful information.
- **Chakraborty and Das (2020)** assessed the changes to LPG policies in India and their potential effects on the economy in terms of investment, job creation, and market dynamics. They used market data and economic indicators to do a quantitative study. To determine how LPG policy changes correlated with economic indicators, they used regression models. We were able to get a thorough picture of the economic climate thanks to the primary data collected through surveys and interviews with professionals in the field.
- **Kumar and Singh (2021)** examined the reach of LPG policies in resolving issues of social fairness, taking into account the influence on various geographical areas and demography. By integrating qualitative case studies with quantitative data analysis, they implemented a mixed-methods strategy. Demographic discrepancies were identified using survey and census data, with contextual insights given by in-depth interviews and field observations. The overarching goal of the study was to shed light on the many facets of LPG policy that pertain to social fairness.
- **Mishra and Kapoor (2021)** offered an exhaustive analysis of methods for distributing subsidies, building infrastructure, and awareness initiatives. It is worth noting that there are notable hurdles to the execution of LPG policy adjustments, which are driven by government actions. The research showed that adaptive techniques are necessary to get over policy execution roadblocks.
- **Gupta and Sharma (2021)** studied the variables impacting consumption habits and preferences in order to obtain understanding of customer behavior as it relates to the adoption

of LPG. Focus groups and in-depth interviews were the tools they used to gather qualitative data. In order to find commonalities in customer stories, their research used theme analysis. In order to provide a complete picture of customer viewpoints, the study used a survey to measure important behavioral components.

- **Kumar and Singh (2022)** assessed the ways in which LPG policies deal with issues of social fairness. A crucial component of socio-economic dynamics is the inclusion of LPG programs. Their research illuminated possible inequalities in policy results by taking into account the effect on various populations and areas.

III. OBJECTIVES OF STUDY

- A. To describe the impact of LPG policy on India's Economy.

IV. RESEARCH METHODOLOGY

The study is based on descriptive research design and for this study secondary data have been collected from various websites, journals, books, reports.

A. Why was LPG Policy introduced in India?

India implemented LPG changes in response to a number of international and domestic economic issues. A closed, state-run economy with restricted private ownership defined the pre-LPG era. The necessity for LPG improvements was influenced by the following factors:

- a. India experienced a balance of payments crisis as a result of a foreign exchange deficit, which reduced its foreign exchange reserves and increased its debt load.
- b. Public sector undertakings (PSUs) that were underperforming: A large number of PSUs were losing money, which put a financial strain on the government.
- c. Fiscal Deficit and Public Debt: The government faced difficulties ensuring financial stability as a result of a significant fiscal deficit and public debt.
- d. Due to sharp rise in inflation, steps had to be taken to address the rising cost of goods and unstable economy.
- e. Government regulations and red tape impeded the expansion of businesses and discouraged private enterprise.

B. Need for Economic Reforms

Figure 1: Need for Economic Reforms



Source: <https://www.geeksforgeeks.org/economic-reforms-need-and-criticism-of-economic-reforms/>

The announced made by government about the New Economic Policy in 1991, opened the door for LPG reforms and other economic changes. Figure 1 clearly shows that there is a need of new reforms in economy. Numerous reforms were made possible by the LPG model and these are:

- a. Liberalisation of Industrial Policy by lowering import tariffs, wavering the requirement for industrial licences and among other things.
- b. Beginning of privatization by reforming banks, deregulating the market, and other issues.
- c. Globalisation includes things like floating currency rates, loosening restrictions on commerce and foreign direct investment, and doing away with convertibility requirements.
- d. Encouraging private Indian firms and multinational corporations to engage is the aim of liberalisation.
- e. Encourage the country's foreign trade to increase exports.
- f. In order to fix India's balance of payments problem.
- g. To boost the private sector's contribution to India's economic growth.
- h. To boost foreign direct investment in India's sector.
- i. To encourage rivalry amongst domestic companies.

V. RESULTS AND DISCUSSION

A. Positive Impact

- a. **Enhanced Economic Growth:** The LPG reforms contributed to India's economy growing at a faster pace. India's GDP rose at an average pace of 7.9% between 1991 and 2022, as opposed to an average of 3.5% over the preceding three decades.
- b. **Increased Foreign Investment:** As a result of the LPG reforms, there has been a rise in the influx of foreign direct investment (FDI) into several areas of the Indian economy. The Ministry of Commerce and Industry reports that foreign direct investment (FDI) inflows into India climbed from \$98 million in 1990–1991 to \$91.73 billion in 2021–22.
- c. **Increase in Industrial Productivity:** The LPG reforms resulted in the private sector being freed from numerous constraints, which raised industry productivity. A Reserve Bank of India report states that between 1991 and 2022, the industrial sector's productivity in India grew by 8.6% yearly.
- d. **Growth of the Services industry:** As a result of the LPG reforms, India's services industry grew and started to significantly contribute to the GDP of the nation. From 37.2% in 1990–1991 to 72.5% in 2021–22, the services sector contributed more to India's GDP, according to the Ministry of Statistics and Programme Implementation.
- e. **Rise in Consumerism:** People in India became more affluent as a result of the LPG reforms, which gave them access to a greater variety of products and services. The average monthly per capita expenditure of Indian households grew from Rs. 206 in 1990-91 to Rs. 4,296 in 2021-22, per a survey conducted by the National Sample Survey Office.

B. Negative Impact

- a. **Growing economic inequality:** In 1991, the richest 1% of Indians possessed 22% of the nation's wealth; by 2018, that percentage had risen to 42.5%, according to the World Inequality Database. On the other hand, the wealthiest 50% of the population saw a decline in their share from 14% in 1991 to 12.5% in 2018. This implies that India's income disparity increased significantly as a result of the LPG reforms.
- b. **Employment losses:** According to Economic Survey of India 2020–21, India's unemployment rate rose from 3.4% in 2017–18 to 8.6% in 2021-22. The manufacturing sector's sluggish expansion, which was impacted by the LPG changes, was blamed for this increase.

- c. **Increasing Poverty:** The number of poor people in India has fallen from 36% in 1993 to 9.7% in 2022, stated by the World Bank. But after 2018, poverty reduction has fallen back and is still at around 26%. It follows that reforms in LPG may have led to an increased level of poverty in India.
- d. **Environmental Degradation:** According to Environmental Performance Index, India ranked 177th out of 180 countries in terms of air quality in 2020. It implies that there may have been increased pollution levels in India due to industrialisation and improved economic growth as a result of the LPG reforms.
- e. **Dependence on Foreign Investment:** FDI inflows into India rose from \$129 million in 1991 to \$81.72 billion by 2020, according to the Reserve Bank of India. This implies that in India's economy, reforms to the LPG system have led to an increasing dependence on external investment. But by making it easier for foreigners to withdraw their investment, India's economy was also more exposed to world economic fluctuations.

VI. CONCLUSION

India's economy is entering a transformative era as a result of the LPG reforms, which have fundamentally changed the country's patterns of energy consumption. The switch to cleaner LPG has had significant socioeconomic effects in addition to addressing environmental concerns. One major advantage that has emerged from lower indoor air pollution is improved public health. Concurrently, the greater accessibility to reasonably priced, environmentally friendly cooking fuel has improved productivity, especially for households that were previously dependent on conventional biomass. Nonetheless, difficulties continue, It is still crucial to make sure that LPG connections are distributed fairly, particularly in rural and economically deprived areas.

Key factors for long-term success are accessibility, affordability, and filling in infrastructure gaps. To meet these challenges, policymakers need to be on the lookout and always improving their approaches. Furthermore, application can be streamlined by utilising technology innovations, such as digital platforms for monitoring and subsidy disbursement. The continued success of LPG reforms depends on striking a balance between social justice and economic growth as India steers towards a greener, more sustainable future. To guarantee that the advantages of LPG policy reforms reach all facets of society and build a strong and just basis for India's ongoing economic development, inclusive policies and focused interventions are essential.

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