

Financial Liberalisation in India : Issues, Options and Development Implications

ABSTRACT

Our experiment with financial liberalisation delivered a baggage of mixed outcome – while some are encouraging, others are essentially damaging for the growth of the economy. It inspired us to review critically, whether the precept of market oriented financial system can solve the basic problem of our economy or we are simply guided by some text book model, dogma that has little relevance in practice. The model suggests that chain of causation runs from savings to investment to growth, but our study shows that the emphasis is misplaced. Instead it is demand deficiency which is the main bottleneckness of the growth of our economy – issue which escaped attention of liberal camp.

Thus, there is a need to review dispassionately the issue of “intervention and no-intervention” in the context of typical problem of our economy. We feel, government spending can help to increase income, consumption and demand to ensure faster growth of private corporate sector. Our study shows private initiatives may be supplemented by state intervention to achieve rapid economic growth. Finally, the study is an attempt to develop our own financial system capable to satisfy our own problem.