

LIBERALIZATION AND ITS IMPACT ON THE PROFIT MARGINS OF FIRMS IN INDIA

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ABSTRACT

This study analyses the impact of liberalization policies on the profit margins of firms operating in the electronics and the computer hardware sector by studying two time periods: 1991-93 and 2004-06. It also analyses the factors that distinguish multinationals and affiliates from domestic firms. The analysis shows that while in the period 1991-93, it was the firms that were large in size and imported more that enjoyed higher profit margins, in the latter period (2004-06), it was the more technologically oriented firms that enjoyed higher profit margins. The study also shows that while the foreign firms paid more royalty and technical fees earlier, in the latter period they were importing more in order to increase their profit margins.