

# THE IMPACT OF GLOBALIZATION ON INDIAN ECONOMY

Ms. R.V.Shilpa Joshi

## Abstract:

Globalization is a significant factor in competitive world that integrate and mobilize cultural values of people at global level. In the age of rapid technical progression, many countries are unified and transformed due to the process of globalization. Globalization has a huge impact on cultural, social, monetary, political, and communal life of countries. Abundant theoretical studies demonstrated that globalization intercedes in a cultural life of populace that raises numerous critical issues (Robertson, 1992). In broad sense, the term 'globalization' means combination of economies and societies through cross country flows of information, ideas, technologies, goods, services, capital, finance and people. Globalization is described by theorists as the process through which societies and economies are integrated through cross border flows of ideas, communication, technology, capital, people, finance, goods, services and information. Main elements of Globalization include free movement of goods and services, flow of capital, movement of labor and transfer of technology across national and international boundaries. Globalization in India is generally taken as integrating the economy of the country with the rest of the world. Globalization offers both opportunities and challenges for our country, it has created significant opportunities for manufacturing, agriculture, service sectors and many others. Besides, there has been massive inflow of foreign investments into India, permitting Indian companies to participate in foreign collaborations and encouraging them in setting up joint ventures internationally. Globalization has enabled the domestic marketers to export their goods after their success in the domestic country which has made India one of the largest agricultural producers to the world. Globalization has made an impact on the Indian market by improving the standard of living and also by encouraging the domestic marketers to produce innovative products that suits the international standards. The objective of this study is to understand the impact of globalization on the Indian domestic market.

**KEYWORDS:** Globalization, economy, growth, technological trends, international business, Globalization & Environment of the Globalization in India, GDP growth , Growth Rate of various sectors of economy , Bright future of India because of Globalization

## OBJECTIVE

- To review the impact of globalization in India.
- To analyse the changes in the international trade of the country after globalization.
- To analyse the economic growth in the country.
- To find out the improvements in various sectors after globalization.

## RESEARCH METHODOLOGY

The study tries to reason out the impact of globalization in India. The study is based secondary sources from various articles, Journals and websites.

## INTRODUCTION

Globalization formally began in the mid-20th century with the opening of institutions like the World Bank and the International Monetary Fund (IMF). India opened up to globalisation much later in 1991 when it was felt important to liberalise market norms and allow privatisation to encourage the growth of its long-stagnant economy. When India opened up to globalisation, firstly growth accelerated to almost 7% on an average, compared to 4% in the first 35 years after independence. Secondly, there has been a remarkable reduction in poverty, especially in the last 15 years. Thirdly, entrepreneurship has surged with many new entrants in the corporate sector. Fourth, the current account has been opened fully while the capital account in India's trade is substantially open to FDI and portfolio flows in a calibrated manner. Fifth, globalisation has brought in new technology with quality products that have made jobs more productive.

It is the modern age which led to the origin of globalization where wide spread of development took place in the field of infrastructure and technology which led to more interaction between the nations and sharing of ideas, culture and tradition. This put a direct impact on the process of globalization. In the economic scenario, more trade links took place between countries on a global scale which influenced global as well as domestic economies to a great extent. The wake of globalization was first felt in the 1990s in India when the Finance Minister, Dr. Manmohan Singh initiated the economic liberalization plan. Since then, India has gradually become one of the economic giants in the world. Today, it has become one of the fastest growing economies in the world with an average growth rate of around 6-7 %. There has also been a significant rise in the per capita income and the standard of living. Poverty has also reduced by around 10 %. The service industry has a share of around 54% of the annual Gross Domestic Product while the industrial and agricultural sectors share around 29% and 17% respectively. Due to the process of globalization, the exports have also improved significantly. MNC's play a major role in the globalization process, by connecting different regions in the world. Globalization has facilitated three main factors – increased technology, liberalization of trade and investment policies and international organizations such as WTO (World Trade Organisation) India is a founding-member of General Agreement on Tariffs and Trade (GATT) since 1947 and its successor, the World Trade Organisation. While participating actively in its general council meetings, India has been crucial in voicing the concerns of the developing world. For instance, India has continued its opposition to the inclusion of such matters as labour and environment issues and other non-tariff barriers into the WTO policies. Globalization has a positive impact on today's economy and it is expected to develop in the coming years. Technological advancements in transport and communication was the main reason behind the growth of globalization. In India there was a complete transformation in the economies at a rapid pace, and also there was tremendous impact in technology integration.

## **Aspects of globalisation in India**

Cross country incorporation has several aspects and can be political, cultural, social and/or economic, all which equal globalization. Nevertheless, financial integration is the most common aspects. Economic integration involves developing a nation's economy into an international economy. After World War I and II the early trends of globalization decreased throughout the world due to many barriers which restricted the movement of goods and services. In fact, cultural and social integration are even more than economic integration. Globalization increases competitiveness at company level and national level, which leads company management and governments to embrace strategies designed to increase labour effectiveness with reference to productivity, quality and innovation.

Generally, globalization involves economies that are opening up to international competition and that do not distinguish against international capital. Consequently, globalization is often accompanied by a liberalization of the markets and the privatization of productive assets. But globalization also leads to unemployment, increasing casual employment and weakening labour movements. Theoretical literature denotes that Globalization has made countries to realize that they can share their cultural values and economic exchanges to promote business and gain competitive advantage. The fervour of globalization has even enforced Governments to be tuned to the merits of a Global economy. Management studies have defined the process of globalization. Fraser (2007) explained that Globalization is a word on every commentator's lips nowadays, but is very difficult to define satisfactorily, for it arises in so many different contexts like economic, sociological, political, cultural and environmental. Akteruzzaman.Md, 2006 stated that globalization is the interconnectedness of nations and regions in economic domain, in particular, trade financial flows and multinational corporations.

New Globalization and Indian Economic Identity From an economic point of view, the new globalization may be perceived as a process of "Global marketization" The two pillars of it are „privatization" and „liberalization". From 1991 onwards, the politicians who assumed „power" in India accepted this philosophy, even though the masses of the Indian people disliked it.

## **REVIEW OF LITERATURE**

The most of literature available explain the political stability has positive impact on the FDI inflows. Most empirical researches examine the domestic political stability which increases foreign direct investment

- Alesina&Perotti, showed that political instability had a negative effect on investment (Alesina&Perotti, 1996, pp. 1-33).
- Woodward and Rolfe, showed Political instability increases the uncertainty of foreign investment decisions and this could restrict the flow of FDI (Woodward & Rolfe, 1993, pp. 121-144).
- Samimi, Monfared, 6 Moghaddasi and Khosro, showed that Political stability is playing an important role in determining FDI in OIC Countries (Samimi,

Monfared, Moghaddasi, &Khosro, 2010, pp. 4883-4885). Hence there is a lack of consensus among the authors on the relationship between FDI and political stability of a country.

- Cohen (1995), Kumar and Siddharthan (1997), Dunning (1993), Caves (1996) Siddharthan and Safarian (1997), explained that most of the research studies in the area of technology transfer and global performance of enterprises conducted by economists, have mainly analyzed the interrelationships between the following set of factors represented by the characteristics of enterprises, and their international technological orientation as represented by the characteristics of imports and exports, and the set of intangible assets created and owned by the firms
- John Bodley in his article, described globalization as the comprehensive emergence of a global society in which economic, political, environmental, and cultural events in one part of the world quickly come to have significance for people in other parts of the world. Globalization is the result of advances in communication, transportation, and information technologies. It describes the growing economic, political, technological, and cultural linkages that connect individuals, communities, businesses, and governments around the world.
- Renuka Mahadevan in her article, the Indian agricultural sector has been undergoing economic reforms since the early 1990s in the move to liberalize the economy to benefit from globalization. In her research, it analyses its effects on agricultural productivity and growth and discusses the problems and prospects for globalization to draw policy implications for the future of Indian agriculture.
- The effect of trade and education reforms is well defined by D.sampath Kumar (2011), Karl P opper(1995). Again , The Annual Survey of Industries [EPW Research Foundation 200] and Handbook of Statistics on Indian Economy [RBI 2001] are explaining the requirement of small industry as an effective part to measure the impact of globalization.

## **Boon sectors**

### **INFORMATION TECHNOLOGY SECTOR**

Globalization has accelerated technology to a huge extent. IT drives the innovative use of technologies to promote new products and ideas across nations and cultures globally. Improvements in the computer hardware, software and telecommunications has increased people's ability to access information. Advancements in internet-based tools such as social networking websites, twitter etc. has changed the way people use and share information for personal, political and commercial purposes over the years. These developments have facilitated efficiency in all sectors of the economy. The application of new digital technologies to management, manufacturing, distribution and services has increased productivity.IT innovations have increased the efficiency of business operations. Technology is now the forefront of modern world creating new jobs, innovations and networking sites to allow individuals to connect globally. Advancement in technology from broadband telephone lines to wireless mobile phones, Black and White bulky television to coloured LED's, all are examples of globalization. Globalization leads to



new Scientific and technological innovations have made life quite comfortable, fast and enjoyable. There are tremendous opportunities for India in the revolution and careful implementation of IT strategies that can ensure economic security and economic power for India.

### **AGRICULTURAL SECTOR**

The agricultural sector is known to be the backbone of Indian economy with an employment of 70% of population in various agricultural activities. With globalisation, farmers were encouraged to shift from traditional crops to export-oriented crops such as cotton, tobacco etc. Appropriate use of agricultural equipments, suited to the crops and the region of cultivation, lead to efficient utilisation of farming inputs, making farming financially viable and profitable. There has been continuous progress in farming mechanism. Contract farming and corporate farming has been encouraged by the government. Hence agriculture plays an important role in international trade, products like tea, sugar, oilseeds, tobacco etc., constitute the main agricultural export in India.

### **EDUCATION SECTOR**

A positive impact of the Globalization on Education in India is in the form of opportunities, the evolution of Information technology has improved the relationship between economic development of the country and higher education, highly skilled and educated people became an important pillar for the contribution towards the economic growth.

Some Indian universities are going global in terms of the education standards, which gives rise to a stiff competition in the field of education to the Foreign Universities. Like the other sectors, there exist and a good balance between the industrial and education sector. In India, quality of higher education was an important agenda of the government. Off late the Indian reform policies gave much weight to the quality of higher education. This has been done keeping in view the fact that our nation has a need for new technology and education to improve their social and economic life. Foreign universities have also opened their doors by welcoming the aspired students by providing them with Scholarships, Student Visa etc.. There is also a less gap between the content and style of curriculum. Globalization has led this generation a numerous employment opportunities due to the improvements in the quality of education, Developed countries are moving towards the developing countries to acquire the labor force.

### **EMPLOYMENT SECTOR**

Globalization has played a crucial role in the creation of employment opportunities in the country. A study of the impact of globalization on employment in India points to certain factors:

LPG policies of 1990's changed the employment scenario in India, which includes macroeconomic stabilization and micro structural change, it also measures the labour market to increase the labour market flexibility. The market policies resulted in an improvement in the Gross Domestic Product (GDP) of the country opening up the market to Foreign Direct Investments (FDI) and Foreign Institutional Investors (FII) which in turn increases the GDP growth rate to an all-time high. In 1990's this was

followed by a 4.5 to 5% increase in the GDP output. The growth in the IT sector, Indian service Sector and BPO sectors took the growth rate to 6% in 2003. After 2004, the GDP growth rate reached 8.5%. In the third quarter of 2010, the GDP growth rate reached 8.9%. From 2004 until 2010, India's average quarterly GDP Growth was 8.40 percent reaching an historical high of 10.10 percent in September of 2006. But after the recession in the year 2008 GDP of the country fell down to 5.36% in 2012, 6.39% in 2013, 7.51% in 2014, 8.01% in 2015, 7.11 % in 2016, 6.72% in 2017 and 7.37% in 2018.

## INTERNATIONAL TRADE

In 1991, the new economic policy was introduced. Privatization, Globalization and Liberalization, changed the business environment. Liberal business policies, transformation of public sector units in private sector units and the opening of economy with the world economy, all these transformation were proved very effective in increasing the total trade and export of India. New economic policy made a huge impact on Indian economy.

1996-97	118817	11.7	138920	13.2	25773 7	12.5	-20103
1997-98	130100	9.5	154176	11	28427 6	10.3	-24076
1998-99	139752	7.4	178332	15.7	31808 4	11.9	-38580
1999-20	159561	14.2	215236	20.7	37479 7	17.8	-55675
2000-01	203571	27.6	230873	7.3	43444 4	15.9	-27302
2001-02	209018	2.7	245200	6.2	45421 8	4.6	-36182
2002-03	255137	22.1	297206	21.2	55234 3	21.6	-42069
2003-04	293367	15	359108	20.8	65247 5	18.1	-65741
2004-05	375340	27.9	501065	39.5	87640 5	34.3	-125725
2005-06	456418	21.6	660409	31.8	11168 27	27.4	-203991
2006-07	571779	25.3	840506	27.3	14122 85	26.5	-268727
2007-08	655864	14.7	1012312	20.4	16681 76	18.1	-356448
2008-09	840755	28.2	1374436	35.8	22151 91	32.8	-533680
2009-10	845534	0.6	1363736	-0.8	22092 70	-0.3	-518202
2010-11	1142922	35.2	1683467	23.5	28263 89	27.9	-540545

2011-12	1465959	28.3	2345463	39.3	38114 22	34.9	-879504
2012-13	1634318	11.5	2669162	13.8	43026 60	12.9	- 103484 4
2013-14	1905011	16.6	2715421	1.73	46203 79	7.4	- 810,410
2014-15	1896348	-0.50	2736677	0.80	46330 15	0.3	-840329
2015-16	1716378	-9.50	2490296	-9.00	41987 52	-9.4	- 773,919
2016-17 (Apr- Nov)	1171151	-31.8	1618591	-35	27823 03	-33.7	- 447,440

Source: Ministry of Commerce and Industry, Government of India

From Table, it is cleared that, after the new economic policy in 1991, the Export of India increased over the years but in 2014-15, 2015-16 and 2016-17, it showed declined trend and the rate of change in export fluctuates during the period under study import also increased over the years except in 2009-10, 2015-16, and 2016-17. In 2016-17, the rate of change in imports was higher than the rate of change in Exports. Total trade also increased trend in years except 2009-10, 2015-16 and 2016-17 while the balance trade was negative in each year.

### **TOURISM AND HOSPITALITY SECTOR**

Indian Tourism and Hospitality has seen growth in the economy after globalization. Due to globalization, Tourism sector has brought an impact on the national revenue and development in this industry has contributed to tourism policy along with planning for various businesses and practices. Tourism is a global force for any economic or regional developments and increases employment opportunities and growth in business. Culture influences is influenced by tourism where most people choose to travel to learn about different cultures and therefore local cultures are impacted due to tourists. Hospitality industry in India is the fastest growing industries. Globalization increases the growth of the cultural dimensions in terms of knowledge of the individuals like the managers of the Hospitality industry who learn about the various culture of the world. As they deal on the global platform and get the chances to mingle with various people from different backgrounds and nations. This industry became the third largest foreign exchange earner contributing to the growth in economy.

## Factors That Have Enabled- Globalization in India

**Technology** Rapid improvement in technology has been one major factor that has stimulated the globalization process. Liberalization of Foreign Trade & Foreign Investment Policy Removing barriers or restrictions set by the government is what is known as liberalization. With liberalization of trade, businesses are allowed to make decisions freely about what they wish to import or export. The government imposes much less restrictions than before and is therefore said to be more liberal.

**World Trade Organisation (WTO):** Nearly 150 countries of the world are currently members of the WTO (2006). Though WTO is supposed to allow free trade for all, in practice, it is seen that the developed countries have unfairly retained trade barriers. On the other hand, WTO rules have forced the developing countries to remove trade barriers.

**Industrial Policy** Industrial policy has seen the greatest change, with most central government industrial controls being dismantled. Trade Policy: Trade policy reform has also made progress, though the pace has been slower than in industrial liberalization.

**Foreign Direct Investment:** Liberalizing foreign direct investment was another important part of India's reforms, driven by the belief that this would increase the total volume of investment in the economy, improve production technology and increase access to world markets.

**Reforms in Agriculture:** The share of India's agricultural exports in world exports of the same commodities increased from 1.1 percent in 1990 to 1.9 percent in 1999, whereas it had declined in the ten years before the reforms. But while agriculture has benefited from trade policy changes

**Infrastructure Development:** Rapid growth have seen in a globalized environment a well-functioning infrastructure, including especially electric power, road and rail connectivity, telecom-Communications, air transport and efficient ports. Financial Sector Reform: Banking sector reforms included: (a) measures for liberalization, like dismantling the complex system of interest rate controls, eliminating prior approval of the Reserve Bank of India for large loans and reducing the statutory requirements to invest in government securities; (b) measures designed to increase financial soundness, like introducing capital adequacy requirements and other prudential norms for banks and strengthening banking supervision; (c) measures for increasing competition, like more liberal licensing of private banks and freer expansion by foreign banks Privatization: The public sector accounts for about 35 percent of industrial value added in India, but although privatization has been a prominent component of economic reforms in many countries, India has been ambivalent on the subject until very recently. Initially, the government adopted a limited approach of selling a minority stake in public sector enterprises while retaining management control with the government, a policy described as "disinvestment" to distinguish it from privatization.



## BENEFITS OF GLOBALIZATION

- Globalization helps in the free flow of capital from one country to another. Globalization increases the flow of capital from surplus countries to the needy, this in turn increases the global investment and improves the economies to the countries.
- Globalization helps in the flow of technology from the developed countries to the developing countries. This leads to an improvement in the technology and lets the developing countries implement the improved technology.
- Globalization results in the shift of the manufacturing and production facilities to the low waged developing countries, this reduces the job opportunities in the developed countries and ensure that those job opportunities are created in the developing countries and this leads to an improvement in employment, which in turn increases the standard of living of the people.
- Globalization in the agricultural sector of India showed tremendous improvements by adapting to the new age machineries and the new age techniques of farming which in turn lead to an improvement in Agriculture.
- Education of a country leads to an increase in the quality of work done in the assigned jobs, it is after globalization that the Indian education system rose to fame, by providing education which is on par with the international standards as students from the other countries trying to seek education in the premium universities of the country.
- Globalization has led to a more integrated world, and many emerging smaller communities that are in turn connected to many others.
- Globalization of the Indian economy with the world economy is benefited because it has given a boost to foreign capital inflows in the form of portfolio investment and foreign direct investment (FDI).

## CONCLUSION

The study analyzed the impact of globalization on growth of firms in Indian manufacturing industry during post reform period. An empirical analysis at micro level of firms in Indian manufacturing industry showed an important finding that among various aspects of globalization, the imported capital goods considered to be the main source of technology transfer has a positive and significant role in generating growth of firms. The other main aspect of globalization, export orientation, has also been found to have a positive and significant effect on growth of firms. Thus the study concludes that globalization of Indian economy has a significant impact on growth of firms in manufacturing industry. Hence, globalization may lead in general to growth of firms in other developing economies as well. Globalization is a process of rapid integration of countries, since then Globalization has given a wide choice to consumers in all variety of goods and services Globalization gives opportunity to choose variety of 'goodies' at a much lesser price

to consumers when it was introduced in India MNC's are playing a major role in the process of globalization and has also contributed to the GDP of the country which off late is suffering due to demonetization and GST. Globalization in India has brought in many positives in the field of commerce and industry, agriculture, employment, culture etc. which in turn improved the standard of living of the people. Indian government liberalized the trade and investment due to the pressure from World Trade Organization. Import duties were cut down phase-wise to allow MNC's operate in India on equality basis. As a result, globalization has brought to India new technologies, new products and also the economic opportunities. India has largely benefitted from the impact of globalization. Hence, Globalisation has impacted every aspect of Indian society, its culture and economy. Though it can benefit even further when it becomes a net exporter of cultural and technological goods and services. This reality needs to change to favour Indian needs. We must create a kind of globalisation that not only makes the rich richer but equip the poor to enrich their lives, then it will be the true merit of globalization. Main finding of this paper is that India's economic growth has received a strong impetus in post 1991 era. Flowing with globalization, India is shining in nearly every perspective. GDP growth has helped to improve India's global position. Globalization has also effected India's international trade positively but even than India's share in international trade is very low. India is getting a global recognition and slowly moving towards to become a major economic and political strength., India needs to launch a 'second generation' of economic reforms and the reforms must be based on the long-term vision of transforming India into a global economic power in the next twenty to twenty-five years. Therefore, there is tremendous impact on the Indian economy and advancements in different fields due to globalization

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