

# Globalization: Positive and Negative Impact on Indian Economy

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## **Abstract**

*"Globalization" may implies joining of economies and social orders through crosscountry stream of data, thoughts, advancements, merchandise, administrations, capital, back and individuals. It might profit even inside a nation the individuals who have the expertise and the innovation. Since the monetary changes of the mid 1990s, the Indian economy has seen a fast ascent in the financial development and at the same time, has realized an expansion in the financial productivity.*

*Recognize that a change to a green economy is as of now in progress. It started to a great extent in light of the expanded open mindfulness and fortified political will on supportable improvement that were created by the Rio Earth Summit in 1992.*

*This paper attempts to catch how these Green monetary changes realized by globalization have influenced maintainable improvement. The principle point of the paper is to ponder and break down the general perspective of globalization in India.*

*Globalization implies diverse things to various individuals. It can be characterized essentially as a development of financial exercises crosswise over political limits of country states. All the more critically it alludes to a procedure of developing monetary coordination, expanding financial receptiveness and developing financial relationship between nations on the planet economy. It is related not just with a wonderful spread and volume of cross-outskirt financial exchanges yet in addition with an association of monetary exercises which straddle national limits of the world. Globalization in India is for the most part taken as coordinating the economy of the nation with whatever is left of the world. This thus infers opening up the economy to outside direct speculation by giving offices to remote organizations to put resources into various fields of monetary exercises in India; evacuating limitations and obstructions to the passage of MNCs; enabling Indian organizations to go into outside coordinated efforts in India and furthermore reassuring them to set up joint ventures abroad; completing monstrous import advancement programs by changing over from quantitative confinements to levies in any case, and after that cutting down the level of import obligations significantly; and rather than plenty of fare motivators settling on*

*swapping scale modification for advancing fares. Regardless of whether seeds of globalization sown in pre-change period the same number of concessions were conceded to remote capital, MNCs were permitted to enter various vital parts to which their entrance was already confined and restricted. The examination is simply in light of optional information. It will have an exchange on negative and positive effects of globalization on Indian economy.*

**Keywords:** *Liberalization, MNCs, Globalization, Economic Integration.*

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## **Introduction**

We experience a daily reality such that, science, innovation and improvement assume a vital parts in changing human fate. A quick increment in international reliance has started the procedure of globalization on the planet. Globalization is procedure of mix of economy society and culture with the utilization of innovation and new information. Globalization is certifiably not another term.

Globalization is a term that has turned out to be extremely main stream and utilized as a part of a wide range of settings (Powell, 2015). Norris (2012) joins the meaning of globalization to topographical fringes. The creator recognizes national, worldwide seaward and worldwide. Then again notwithstanding, Amavilah et al (2014) characterizes globalization as the expanding coordination between the business sectors for products, administrations and capital. Redding's (2000) definition likewise connects globalization to the breakdown of physical limits. Those in help of the globalization wave consider it to be an open door for monetary development while rivals see it as a risk to financial thriving, political power, and social uprightness (Amavilah et al (2014). On account of creating nations, the essential concern is the risk to political power and losing control of their economies (Glatzer, 2012).

The genuine push to the globalization was given by the financial changes of 1991 started by Government of India. The period 1980-81 was set apart by extreme adjust of installment challenges. The second oil stun pushed up the import charge generously while trades slacked considerably behind. Consequently exchange shortage rose to galactic statures. Amid seventh arrangement, private settlements additionally demonstrated a propensity of smoothing out. Therefore, net invisibles could fund just 24 percent of exchange shortage in the seventh arrangement. The issues were intensified by bay war in 1990-91. The exchange shortage in this year took off to Rs. 16,934 crore and invisibles additionally recorded negative profit. Hence, current record deficiency was as vast as Rs 17,369 crore in 1990-91. The issue got additionally emphasized by India's expanded dependence on surprising expense outer ads borrowings and non-inhabitant stores all through the 1980s as the stream of concessional help was impressively not as much as the prerequisites. Capital was streaming out of the nation and nation was near defaulting credits. Alongside these bottlenecks at home, numerous unforeseeable changes cleared the economies of countries in western and Eastern Europe, South East Asia, Latin America and somewhere else around a similar time.

Indian economy had encountered real approach changes in the mid 1990s. The new monetary change prominently known as Liberalization, Privatization, and Globalization (LPG), went for making the Indian economy as quickest developing economy and comprehensively aggressive. The arrangement of changes attempted concerning modern area, exchange and also monetary division went for making the economy more productive. With the beginning of changes to change the Indian economy in July of 1991, another section has unfolded for India and her billion or more populace. This time of financial change has not just had huge effect

on the general monetary improvement yet in addition on the outlook of Indian individuals who could get free from customary, persistent reasoning, superstition, and ignorance.

There were the financial impulses at home and abroad that required a total updating of our monetary arrangements and projects. Major measures initiated as part of liberalization, privatization and globalization in early nineties included the following:

**1) Devaluation:** The first step towards globalization was the devaluation of the currency by 18-19 percent against major currencies in the international foreign exchange market. These measures were taken to resolve the balance of payment crisis.

**2) Disinvestment:** In order to make the process of globalization smooth, under the privatization scheme, most of the public sector undertakings were sold to private sector to give opportunity to private players in the economy.

**3) Dismantling:** the Industrial licensing regime at present, only three industries are under compulsory licensing regime, mainly on the accounting of environmental safety and strategic considerations. A significantly amended policy in tune with the liberalized licensing policy is in place. No industrial approval is required from the government for locations not falling within 25 kilometers of the periphery of cities having a population of more than one million.

**4) Allowing foreign direct investment across a wide spectrum of industries and encouraging non debt flows.** The department has put in place a liberal and transparent foreign investment regime where most activities are opened to foreign investment on automatic route without any limit on the extent of foreign investment.

**5) Non-resident Indian scheme:** the general policies and facilities for FDI as available to foreign investors and companies are fully available to NRIs as well. In addition government has extended some concessions especially for NRIs and overseas corporate bodies having more than 60 percent stake by non- Indian residents.

**Abolition of MRTP Act:** Monopoly and Restrictive Trade Practices act was abolished as per the process of liberalization. It was compulsory for investor to get approval from government to have further capacity expansion under MRTP Act.

Globalization has positive as well as negative effects. One side if globalization has accelerated the growth rate of GDP on the other side it has generates high inequalities among Indian people. There are few people who are exploiting the resources of economy and most of the proportion of national income is possessed by them. This type of unequal distribution of income is generating poverty, unemployment etc.

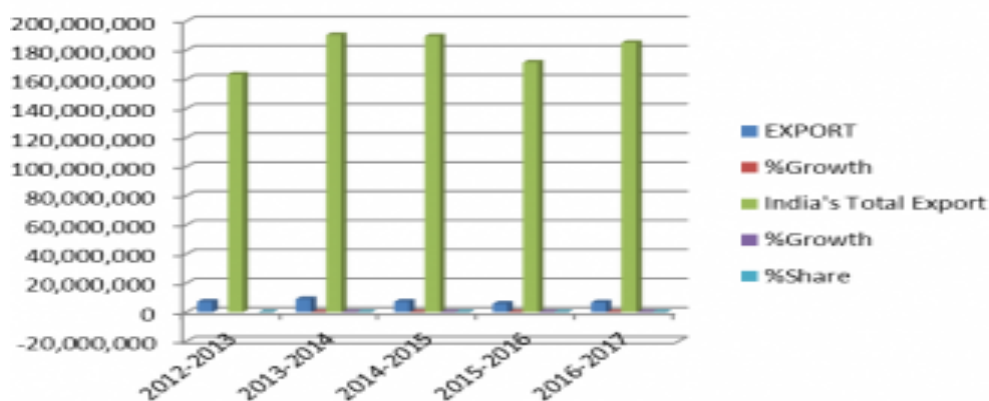


Figure-1: Volume of India's Exports and Imports from 2012-2018

**Source:**

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**The basic objectives of the present study are:-**

1. To study the basic concept of globalization.
2. To analyze the impact of globalization on Indian Economy.
3. Find out the pros and cons of globalization.

The study is based on a qualitative theoretical research and the empirical finding consists of survey performed in a qualitative way, this will be discussed. According to Parasuraman et.al.(2005)<sup>2</sup> Secondary Data are data that have already been collected by and are readily available from other sources. The secondary data consist of various documentation. It is essential to use secondary data in order to get a wider sight. For a researcher it is important to see what other researcher has done and their results within the research field (Arbnor & Bjerke, 1999)<sup>3</sup>. In order to further understanding of the research problem area I started by collecting secondary data. The main advantage of starting the data collection process with secondary data was that it gave us the possibility to establish a thorough understanding of the problems related to the evaluation of investments in Automobile Sector. Furthermore, using secondary data is relatively uncomplicated and it gave us the advantage of exploring the problem area on a step-by-step basis. The paper will be review various papers available so far this area and will try to conclude with the results.

**Globalization as a Boon**

- 1) The growth rate of GDP of India has been on the increase from 5.6 percent during 1980-90 to 7 percent in the period of 1993-2001. In the last fifteen years except two or three years, rate of GDP growth was more than 7 percent. It was 9.2 percent in 2006-07. At present in 2016 GDP is growing at 7.4 percent shown by union budget 2016-17.
- 2) The foreign exchange reserves were \$39 billion (2000-01), \$107 billion (2003-04), \$145 billion (2005-06), and \$180 billion in 2007. According to reserve bank of India, India's foreign exchange reserves are \$351.83 billion as on 19 Feb, 2016.
- 3) The cumulative FDI inflows from 1991 to 2006 were Rs. 81566 crore (\$43.29 billion). The sectors attracting highest FDI inflows are electrical equipment including computer software (18 percent), Service Sector (13 percent), Telecommunications (10 percent), and Transportation industry (9 percent) etc.
- 4) In 2010 India's share was 55 percent in Global Outsourcing market.
- 5) India's rank was fourth in market capitalization in 2005, it was preceded by USA, Germany and China. But at present its rank is ninth, it means it is now preceded by eight countries and India's position has worsened but India was able to join trillion dollar market by going through all ups and downs. India's market capital is \$1.6 trillion and it is 2.5 percent of world's capital market.
- 6) As per the Forbes list 2015, India has 100 billionaires. There were only 40 billionaires in India as per forbes 2007 list. The assets of these 100 billionaires are more than cumulative investment in the 91 public sector undertakings by the central government of India.

**Globalization as a Curse**

- 1) India is home to the largest number of child labourers in the world. The census found an increase in the child labourers from 11.28 million in 1991 to 12.59 million in 2001. M.V. foundation in Andhra Pradesh found nearly 40,0000 lakh children mostly girls

between 7 and 14 years of age, toiling for 14-16 hours a day in cottonseed production across the country of which 90 percent are employed in Andhra Pradesh. Poverty and lack of security are main causes of child labour. Post reform period has witnessed drastic increase in child labour because due to LPG policy the role of public sector was reduced. Therefore corporates are working for profit motive only.

- 2) Agriculture sector is the backbone of the Indian economy. Above 50 percent people are working in agriculture sector. This sector has been neglected by government in post reform period and share of agriculture has decelerated continuously. At the time of independence, agriculture was contributing nearly half of the GDP but now its share is only 14 percent in total GDP of country. Reasons for backwardness of agriculture are lack of public investment, indebtedness of farmers and presence of intermediaries between sellers (farmers) and buyers.
- 3) Job and social insecurity: globalization has generated problems like job and social insecurity. Public sector provides jobs alongwith social as well as job security and other benefits also. But in the modern era a person can get a job but neither he would get a neither secure job nor social security. Therefore, increasing insecurity in society is perpetuating other social evils like dowry system, crimes, unemployment etc.
- 4) Poverty and unemployment: as per the Forbes list 2015, India's number of billionaires has crossed 100 and the wealth they possess is more than the investment in public sector undertakings by central government. This has led to wide range of inequalities of wealth among Indian people. Some people are such who dying from starvation and some are dying due to consumption of excessive food in our country. Consequently, Malnutrition, child labour, and crimes are on the rise. Still a large proportion of people in India living below poverty line even India has been unable to achieve millennium development goals in case of many indicators. Whether India's present generation is education but Indian youth is suffering from unemployment and they have to survive on subsistence wages. Seasonal, underemployment and structural unemployment are found in India.

### **Comparison with other Developing Countries**

Consider global trade- India's share of world merchandise exports increased from .05 percent to .07 percent over the past twenty years. Over the same period China's share has tripled to almost 4 percent. India's share of global trade is similar to that of the Philippines an economy 6 times smaller according to IMF estimates. Over the past decade FDI flows into India have averaged around 0.5 percent of GDP against 5 percent for china and 5.5 percent for Brazil. FDI inflows to china now exceed US \$ 50 billion annually. It is only US \$ 4 billion in the case of India.

Now India is in the process of restructuring her economy with aspirations of elevating herself from her present desolate position in the world. The need to speed up Indian economy is more imperative and having witnessed the positive role of the foreign direct investment has played the rapid economic growth of the most of The South Asean countries and most notably china, India has embarked on an ambitious plan to emulate the successes of her neighbors to the east and is trying to sell herself as a safe and profitable destination for foreign direct investment. Present NDA government has tried to maintain status quo very well by allowing maximum FDI in different sectors as much as it may be possible. NDA's foreign policy has been commended all over the world but consequences of initiative taken to increase FDI inflows in India are still on the waiting list.

## **Policy Implications/Suggestions**

- 1) In the case of agriculture, if the FDI is allowed 100 percent in multi-brand retail sector, then farmers can get remunerative prices for their crop. Farmers are getting meager prices for their produce due to many types of intermediaries between sellers (farmers) and buyers.
- 2) UNCTAD had underlined the large amount of losses to the exchequer of developing countries (\$100 billion a year) due to the routing of FDI through tax havens therefore early implementation of GAAR (General anti avoidance rule) is required which has been delayed by present government. Policy makers need to take cognizance of the fact that it is domestic investment which has provided an overwhelmingly large share of india's capital formation should not be neglected because of foreign phobia.
- 3) Communal disharmony has been the issue of debate for present government. Whether India's ease of doing business rank has improved to 34 but due to violence, riots and strifes at domestic level India has lost its international reputation. Recently agitation by jats in Haryana for reservation was so horrible that shops, malls were set afire. After the withdrawal of protests when owners were advised to start their shops and malls along with financial help they refused to do so. Reason is that they are feeling insecure in such environment. Therefore, communal harmony is must to attract foreign as well as domestic investors.
- 4) To attract investors from different countries infrastructure, Social as well as physical should be improved. Social infrastructure includes education and health on the other hand physical infrastructure includes transportation, energy, banking services etc. A good and efficient infrastructure can play a vital role in the augmentation of globalization process.
- 5) The government has already set the ball rolling. It has relaxed FDI norms to encourage both domestic and foreign companies to manufacture in India sell their products abroad. Indian population has poor skill or they don't have skills at all. The Indian employers have been struggling with acute shortage of skilled manpower despite India having the largest pool of young population in the world. Reason: Lack of required expertise for specific jobs. As per the labour bureau report 2014, the current size of India's formally skilled workforce is only 2 percent. This apart there is also challenge of employability of large sections of the conventionally educated youth. The Indian education system has been churning out brilliant minds but lacking in the skills sets required for specific jobs. Therefore, there is need for appropriate and adequate skill development and training which can convert this force into the largest source of technically skilled manpower. The skill India mission launched by government is pertinent initiative to provide solution to the problem. Only a job ready and skilled workforce can reap the benefits of foreign direct investment.

## **Impact of Globalization**

The green economy is defined as an economy that aims at reducing environmental risks and ecological scarcities, and that aims for sustainable development without degrading the environment. The background report presented in United Nations Conference on Trade and Development (2011)<sup>1</sup> was aimed to promote the green economy concept in order to stimulate more rapid global progress on sustainable development. However, it is important to recognize that a transition to a green economy is already underway. It began largely in response to the increased public awareness and strengthened political will on sustainable development that were generated by the Rio Earth Summit in 1992. The challenge for Rio+20 is to build momentum behind the nascent phase of a transition to a green economy that is now underway. Market trends reveal an advancing green economy transition. The number of firms with ISO 14001 environmental management certification rose from under 40,000 in 2000 to over 200,000 in 2009; and over 40 per cent of registered firms are in developing countries.

## **1. Impact on Indian Manufacturing**

The reforms involves putting an end to the license Raja, reduction of high industrial tariffs, the privatization of aluminum, car manufacturing, telecoms and information technology companies, the liberalization of the exchange Mergers, takeovers, global alliances joint ventures and collaborations are taking place, almost every day.

India's telecom sector is exploding and all the big handset makers are talking about setting up manufacturing facilities here so that they can cater to this strong domestic demand", says Shirish Sankhe, a partner at Mckinsey in India. This shows that even in a sector where imports were cheaper because of zero duties, "Made in India" is being preferred. Manufacturing capacities are being expanded the country is emerging as a global source. Globalisation has increased share in GDP. Indian has been witnessed of increasing GDP.

## **2. Impact on Education**

Entry of foreign universities is the best example of it. India has become a hub of information technology outsourcing, after the government decided to privatize education ten years ago. The most dramatic impact of the 21st century "foreign Hand" is in the opening of the higher education sector to foreign institutions. Most recently; the Ministry of HRD (Human Resource Development) is reported to have withdrawn the requirement for prior approval before Indian institutions enter into MOUs with foreign institutions. This is undoubtedly a pragmatic step, which reinforces the autonomy of universities and institutions.

## **3. Impact on Wages and the Income Inequalities**

Research indicates that FDI tends to increase wage levels and reduce poverty in both developed countries. For developing ones, it increases income inequalities in the short term but decrease then with greater investment over time. For developed countries FDI tends to decrease income inequalities. Income inequalities among the richest and poorest nations seem to be decreasing.

According to the liberals, globalization is an effective tool for eliminating want and for permitting the poor people to get hold of a steady grip of the global economy. For instance, as per World Bank reports, within the two decades from 1980s to 2001, those people living on US\$1 or less or less per day, reduced from 1.5 billion to 1.1 billion. Alongside there is a rise in the total population of the world. So, it is Globalization: It's Impact on the Indian Welfare State an obvious conclusion that in the developing countries, the percentage of those people got reduced from 40% to 20%. It is also claimed that, with globalization, capital can be shifted to whatever country offers the most productive investment opportunities, creating growth.

**4. Impact on Environment** There is no denying the fact that pollution is reality associated with increased manufacturing shift to developing countries. In an empirical study, Dande found that globalization increase CO2 emission is the main culprit of global warming. A more positive view of globalization would be that it has the potential to enhance productivity and raise the living standards everywhere, since a globally integrated economy makes for a better division of labor and an environment which can be exploited by the large companies to achieve economies of scale. It also claimed that, with globalization capital can be shifted to whatever country offers the most productive investment opportunities, creating economic growth. The concept of corporate social responsibility needs to become a globally accepted fact alongside the globalization of markets, since it will ultimately benefit the business.

## **5. Impact on Indian Culture**

The culture of any country does not only portray the region and language of the region, but it starts with the mindset and mentality of the residing citizens. Indian culture is quite rich with respect to its heritage and resources, and more importantly due to the welcoming approach of its citizens. India is bouquet of flowers varying religion, dialect, edibles, tradition, custom,

music, art and architecture etc, bundled into a single unit of patriotism and unity. The common factor within all these diversities is the Indian mindset of welcoming, greeting, celebrating in a united way with immense affection and togetherness. This is the rich essence of the Indian culture that has attracted many foreigners to stay back in India and mingle into its eternal fragrance.

**6. Impact on Indian Agriculture:** Indian farmers are offered no subsidies compared to the US Farmers. There has been no encouragement from the government to ensure foreign companies to set up technologies for the farmer's assistance. The US Farmers has opened the market for textile & China has already set up factories & started production where in India hasn't woken up. On the other side of the medal, there is along list of the worst of the time, the foremost casualty being the agriculture sector. Agriculture has been & still remains the backbone of the Indian economy. It plays a vital role not only in providing food & nutrition to the people, but also in the supply of raw materials to industries & to export trade. The financial capital of India & the political of India are set to become the topmost slum cities of the world.

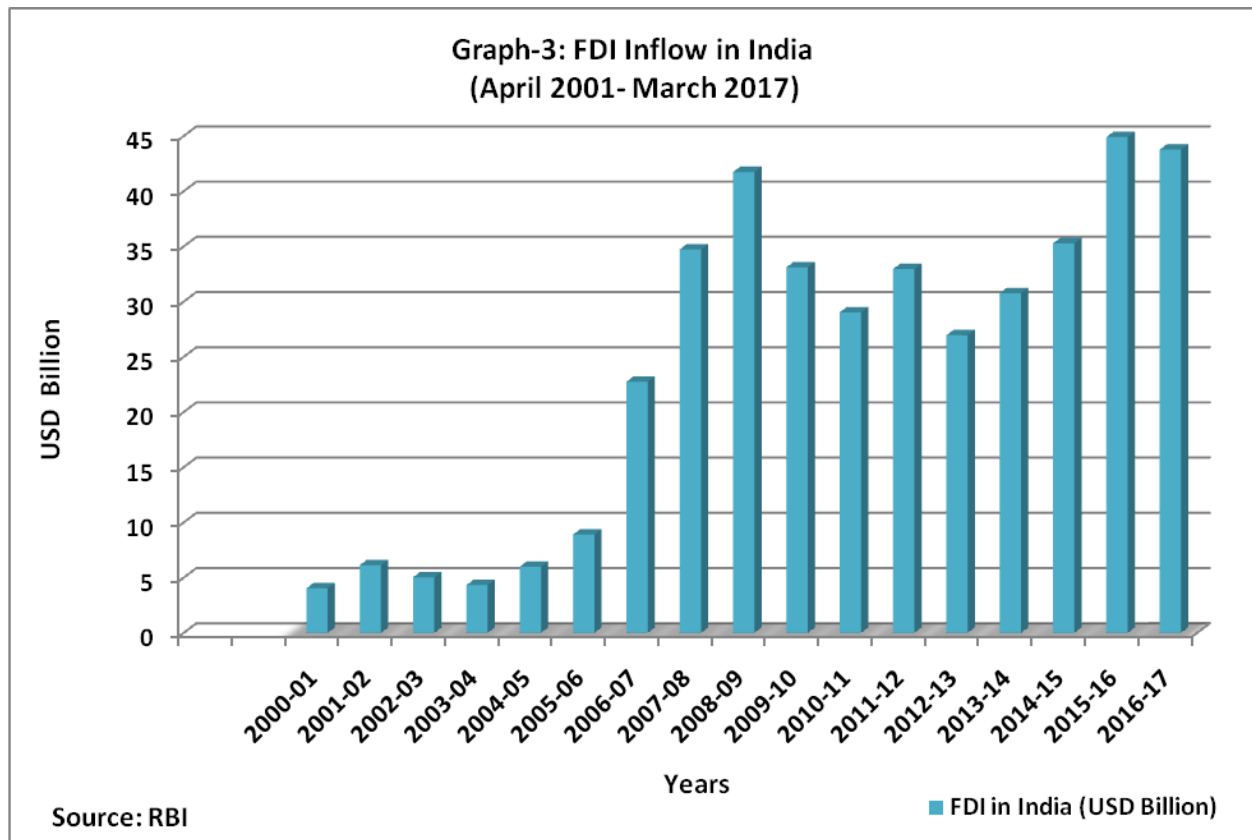
**7. Impact on Gross Domestic Product (GDP) Growth rate:** The Indian economy is passing through a difficult phase caused by several unfavorable domestic & external developments, Domestic O/P & DD conditions were adversely affected by poor performance in agriculture in the post two years. The rate of growth of GDP of India has been on the increase from 5.6% to 7% in the 1993-2001 periods. The sectors attracting highest FDI inflows are electrical equipments including Computer software & electronics (18 %), service sector (13%), telecommunication (10%), transportation industry (9%) etc.

**8. Impact on Export & Import:** India's export & import is increasing many Indian companies have started becoming respectable players in international scenes. There are two alternative causes available. To sell its product in the export market. To produce those type of commodities that the rich in India could consume i.e. luxury consumption goods.

**9. Impact on Technologies:** IT is given special status. The reason for this is because the Indian government wants to promote it-s nation a as a technological advanced nation and in order to do this they must stimulate the IT sector. The "special status- means the sector and investors (willing to invest in the sector) will receive many benefits and incentives from the government to do so.

**10. Impact on Poverty:** The government of India has shown decline in people living in absolute poverty by manipulating statistics. The "decline" happened when large number of industrial units have been closed down, number of days of work available to workers has declined, downsizing of manpower had taken place in most of the industrial undertakings and non-availability of jobs to the new entrant in employment market is witnessed. Besides, there is an all round decline of prices of agricultural products, forcing farmers to suicide. In sectors like plantation and tea.





Source:

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### Advantage of Globalization in Indian Economy:

There are numerous advantages in the shift to a global economy including the possibility to increase benefits from economies of scale. The breaking down of global barriers allows companies to benefit from the largest & cheapest workforces, raw material, & technology. Due to globalization, in many areas of the country tomato growers, potato growers & fruit growers, farmers benefited from tie-up & collaborations with ketchup, potato chips, fruit juices etc. Fishermen in Kerala have increased their incomes using mobile phones to find out the best markets where the prices are highest on each day. Lock outs & strikes have declined to insignificantly low levels because industrial labor is happy. Due to Globalization the business market in the world has no boundaries; they can market their products in any part of the world. This has involved the chances of laying hands on global market & technologies, which would definitely increase our qualities of living standards. Globalization helps Indian Entrepreneur to know more about the competitors, recent trends, Quality of products. Helps in sourcing new technology for improving their Brand Quality. Hiring competent person irrespective of the nationality. Good exposure of Indian brands to overseas market. Due to increase in healthy competition with other brands, Indian brands will be forced to improve their quality and services to the customer. It aims at increasing the production of food and improvements of the economic and social condition of farmers. It would increase efficiency of the workers. Use of seeds and heavy machines has help to increase agricultural productivity. It would improve animal husbandries would be able to import good breed of animals from the other countries. Farmers will get the privilege of the international market through export agricultural products.

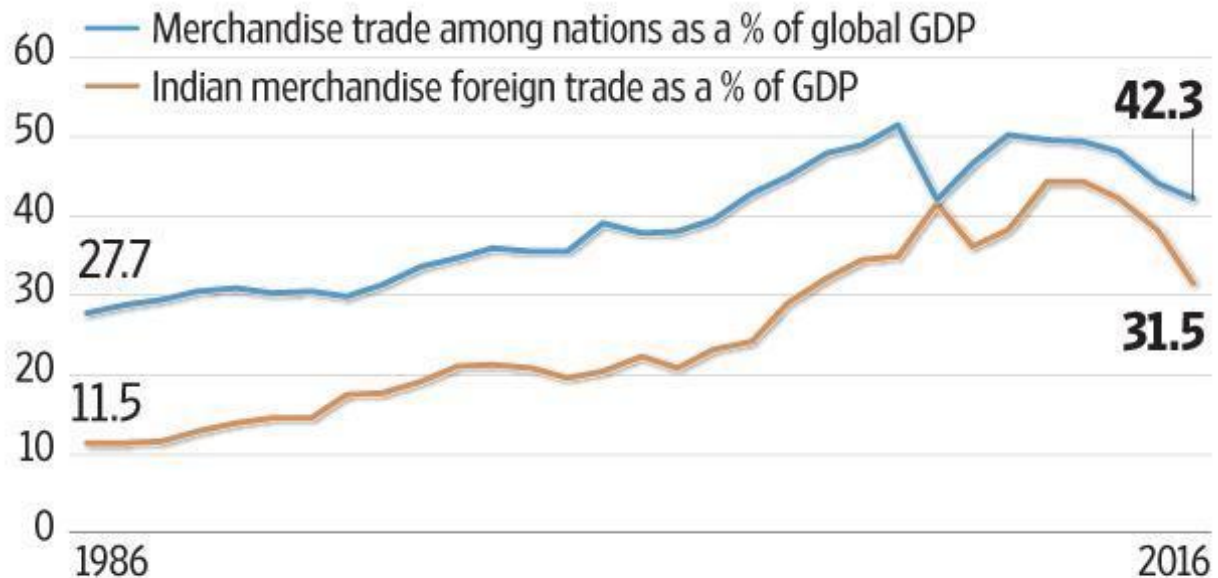
**The five major areas where the co-operative global efforts on reform are to be concentrated are:**

1. **Transparency:** The goal is to make timely, reliable data, plus information about economic and financial policies, practices, and decision making, readily available to financial markets and the public.
2. **Internationally Accepted Standards:** Adherence to international standards and codes of good practices helps ensure that economies function properly at the national level, which is a key prerequisite for a well-functioning international system.
3. **Financial Sector Strengthening:** Banks and other financial institutions need to improve internal practices, including risk assessment and management, and the official sector needs to upgrade supervision and regulation of the financial sector to keep pace with the modern global economy.
4. **Involving the Private Sector:** Better involvement of the private sector in crisis prevention and resolution can limit moral hazard; strengthen market discipline by fostering better risk assessment; and improve the prospects for both debtors and creditors
5. **Systemic Improvements:** Contingent Credit Lines (CCL): The IMF has created a new instrument of crisis prevention with the CCL, after cautionary line of defense readily available to member countries with strong economic policies designed to prevent future balance of payments problems that might arise from international financial contagion.

Economies of countries that engage well with the international economy have consistently grown much faster than those countries that try to protect themselves. Well managed open economies have grown at rates that are on average 2 ½ percentage points higher than the rate of growth in economies closed to the forces of globalisation. Countries which have had faster economic growth have then been able to improve living standards and reduce poverty. India has cut its poverty rate in half in the past two decades. China has reduced the number of rural poor from 250 million in 1978 to 34 million in 1999. Cheaper imports also make a wider range of products accessible to more people and, through competition, can help promote efficiency and productivity. Improved wealth through the economic gains of globalisation has led to improved access to health care and clean water which has increased life expectancy. More than 85 percent of the world's population can expect to live for at least sixty years (that's twice as long as the average life expectancy 100 years ago!) Improved environmental awareness and accountability has contributed to positive environmental outcomes by encouraging the use of more efficient, less-polluting technologies and facilitating economies' imports of renewable substitutes for use in place of scarce domestic natural resources. Improved technology has dramatically reduced costs and prices changing the way the world communicates, learns, does business and treats illnesses. Between 1990 and 1999, adult illiteracy rates in developing countries fell from 35 per cent to 29 per cent. Modern communications and the global spread of information have contributed to the toppling of undemocratic regimes and a growth in liberal democracies around the world. International migration has led to greater recognition of diversity and respect for cultural identities which is improving democracy and access to human rights.

# THE RISE AND FALL OF GLOBALIZATION

Indian trade mirrors the growth and decline of global trade.



Graphic by Subrata Jana/Mint

Source: World Bank, Centre for Monitoring Indian Economy

## Source:

[https://www.google.com/search?biw=1366&bih=662&tbm=isch&sa=1&ei=JQNWW\\_a3KIqYvQScv4GADg&q=impact+of+globalization+on+gdp+of+india+last+5+years&oq=impact+of+globalization+on+gdp+of+india+last+5+years&gs\\_l=img.3...12014.21780.0.22103.27.27.0.0.0.0.348.4186.2-10j5.15.0....0...1c.1.64.img..12.0.0....0.faiWLC0W6Fg#imgrc=mkHRgLhZGPHqAM:](https://www.google.com/search?biw=1366&bih=662&tbm=isch&sa=1&ei=JQNWW_a3KIqYvQScv4GADg&q=impact+of+globalization+on+gdp+of+india+last+5+years&oq=impact+of+globalization+on+gdp+of+india+last+5+years&gs_l=img.3...12014.21780.0.22103.27.27.0.0.0.0.348.4186.2-10j5.15.0....0...1c.1.64.img..12.0.0....0.faiWLC0W6Fg#imgrc=mkHRgLhZGPHqAM:)

## Problems of globalization:

There are social and economic costs to globalisation... Trade liberalisation rewards competitive industries and penalises uncompetitive ones, and it requires participating countries to undertake economic restructuring and reform. While this will bring benefits in the long term, there are dislocation costs to grapple with in the immediate term, and the social costs for those affected are high. Increased trade and travel have facilitated the spread of human, animal and plant diseases, like HIV/AIDS, SARS and bird flu, across borders. Globalisation has also enabled the introduction of cigarettes and tobacco to developing countries, with major adverse health and financial costs associated with that. Trade liberalisation and technological improvements change the economy of a country, destroying traditional agricultural communities and allowing cheap imports of manufactured goods. This can lead to unemployment if not carefully managed, as work in the traditional sectors of the economy becomes scarce and people may not have the appropriate skills for the jobs which may be created. Modern communications have spread an awareness of the differences between countries, and increased the demand for migration to richer countries. Richer countries have tightened the barriers against migrant workers, xenophobic fears have increased and people smugglers have exploited vulnerable people. Globalised competition can force a 'race to the bottom' in wage rates and labour standards. It can also foster a 'brain

drain' of skilled workers, where highly educated and qualified professionals, such as doctors, engineers and IT specialists, migrate to developed countries to benefit from the higher wages and greater career and lifestyle prospects. This creates severe skilled labour shortages in developing countries.

### **Results and Discussions**

Globalization has many meanings depending on the context and on the person who is talking about. Though the precise definition of globalization is still unavailable a few definitions are worth viewing, Guy Brainbant: says that the process of globalization not only includes opening up of world trade, development of advanced means of communication, internationalization of financial markets, growing importance of MNCs, population migrations and more generally increased mobility of persons, goods, capital, data and ideas but also infections, diseases and pollution. The term globalization refers to the integration of economies of the world through uninhibited trade and financial flows, as also through mutual exchange of technology and knowledge. Ideally, it also contains free inter-country movement of labor. In context to India, this implies opening up the economy to foreign direct investment by providing facilities to foreign companies to invest in different fields of economic activity in India, removing constraints and obstacles to the entry of MNCs in India, allowing Indian companies to enter into foreign collaborations and also encouraging them to set up joint ventures abroad; carrying out massive import liberalization programs by switching over from quantitative restrictions to tariffs and import duties, therefore globalization has been identified with the policy reforms of 1991 in India.

Indian economy had experienced major policy changes in early 1990s. The new economic reform, popularly known as, *Liberalization, Privatization and Globalization* (LPG model) aimed at making the Indian economy as fastest growing economy and globally competitive. The series of reforms undertaken with respect to industrial sector, trade as well as financial sector aimed at making the economy more efficient.

With the onset of reforms to liberalize the Indian economy in July of 1991, a new chapter has dawned for India and her billion plus population.

This period of economic transition has had a tremendous impact on the overall economic development of almost all major sectors of the economy, and its effects over the last decade can hardly be overlooked. Besides, it also marks the advent of the real integration of the Indian economy into the global economy. This era of reforms has also ushered in a remarkable change in the Indian mindset, as it deviates from the traditional values held since Independence in 1947, such as self reliance and socialistic policies of economic development, which mainly due to the inward looking restrictive form of governance, resulted in the isolation, overall backwardness and inefficiency of the economy, amongst a host of other problems. This, despite the fact that India has always had the potential to be on the fast track to prosperity. Now that India is in the process of restructuring her economy, with aspirations of elevating herself from her present desolate position in the world, the need to speed up her economic development is even more imperative. And having witnessed the positive role that Foreign Direct Investment (FDI) has played in the rapid economic growth of most of the Southeast Asian countries and most notably China, India has embarked on an ambitious plan to emulate the successes of her neighbors to the east and is trying to sell herself as a safe and profitable destination for FDI (Tanveer Malik).

Dr Dhaval P Dave and Ms. Rina C. Dave (2013)<sup>4</sup> given in their paper an elaborative description of Impact of Globalisation on Indian Economy. Globalization has been a recent phenomenon that has swept the world. The world has become increasingly interdependent and integrated. It has been the harbinger of radical change. All the fortune 100 companies

have a foothold in the world market and reaping large revenues. The trade barriers have been lowered worldwide resulting in expansion of trade, foreign direct investment, exchange of technology, greater movement of people across borders.

Markets were open for foreign companies and investors more and more privatization began to take place and India turned into a more capitalized form of economy. The liberalization, privatization and globalization policy of 1991 opened up new horizons of opportunity for the Indian business (source: Indian business in the present scenario in Indian business).

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