

## Effect of Globalization on Indian Economy

Jai Prakash, Assistant Professor  
Pt. CLS Govt. PG College, Karnal

### Abstract

Globalization is a significant aspect of economic reform, introduced in India in 1991. Owing to globalization, it was expected that globalization should be useful for the economy, as a whole and should raise the welfare of all people throughout the country. It was expected that capital and technology will inflow from developed countries of the world into India. This implies that it should raise the rate of Economic growth in country and reduce poverty and that it should not increase inequalities in the Economy, Also, There should be social integration of the economy with rest of the world. Accordingly India would have access to the fruits of global growth. The objectives of the study is to know about the globalization and its impacts on Indian Economy. The research paper is descriptive in nature and secondary data is used from various books, journals, magazines and websites. The study concluded that globalization is not equally beneficial for all countries of the world. So we need a policy of globalization which is beneficial, creates opportunities with the objective of growth, employment and equity and raise the welfare of all people throughout the world. Government should adopt measures to ensure fair globalization policy.

**Keywords:** Globalization, Indian Economy, Economic growth.

### INTRODUCTION

According to the chamber Dictionary, means “to make global, that is worldwide, or effecting or taking into consideration the whole world or all people”.

Globalization in its totality implies the following:- .

Spread of international trade. People migrate from a country or region to another, temporarily or permanently. Capital flows from one country to help produce goods and services.

Growth in trade and production of services of all kinds -shipping, insurance banking, healthcare and of course, finance etc. Technology is trade as between different Countries. In brief, globalization implies, being able to manufacture in the most cost effective way possible anywhere in the world: being able to produce raw materials and drawing management resources from the cheapest source anywhere in the world: having the entire world as a market.

### Trends of India's Foreign Trade after Globalization

After globalization, the pattern, of India's foreign trade has undergone radical changes mainly as a result of industrial progress. The volume of India's foreign trade has increased considerably after the economic reforms. It has increased from Rs. 19260 crore in 1980-81 and Rs. 434344 in 2000-01. It further grew to Rs. 4336109 crore in 2015-16. The expansion was particularly very fast after 1970-71. The pattern of India's foreign trade was completely changed as a result of economic development and industrialization. It is no longer confined to a few countries or few commodities. Now India has trade relations with almost all the countries of the world. Exports cover over 9300 commodities to about 220 countries. Imports from about 180 countries accounts for over 8200 commodities. Changes in the volume of India's foreign trade during the planning period are shown in Table 1.

### Changes in the volume of india's Foreign Trade after Globalization

Table -1

(in crore Rs.)

Year	Import	Export	Total	Export –Import Ratio (%)
1990-11	43193	32553	75746	75.4
1995-96	122678	106353	229031	86.7
1999-2000	204583	162925	367508	79.6
2000-01	280873	203571	434344	88.2
2005-06	660409	501065	1161474	75.8
2010-11	1746135	1165665	2911800	66.8
2011-12	2394647	1482517	3877164	61.9
2012-13	2732146	1667690	2898906	61.0
2013-14	2815918	1931074	4746992	68.6
2014-15	2820072	1934210	4754282	68.6
2015-16	2592820	1743289	4336109	67.2

From Table 1, following results can be drawn:

1. Huge Growth in the Value of Trade: Table 1 reveals that the total value of foreign trade which was Rs. 75,746 crore in 1990-91 increased to Rs. 434444 crore in 2000-01. It touched a level of 43 lakh crores in 2015-16.

2. Higher Growth of Imports: The total value of imports is Rs. 12,549 crore in 1980-81 and then to Rs. 43,193 crore in 1990-91 showing an increase of 130 per cent and 210 per cent during the last two decades respectively. The factors which were largely responsible for this phenomenal increase in imports include: huge import of industrial inputs, regular import of food grains, rising anti inflationary imports, liberal imports of non-essential items, periodic hike on oil prices and the initiation of liberal import policy by the Government during 1985-86 to 1991-92. During 2000-01 it rose to Rs. 280873 crore against Rs. 43193 crore in 1990-91. it touched a level of Rs. 26 lakh crores in 2015-16.

3. Inadequate Growth of Exports: Total value of exports were Rs. 6711 crore in 1980-81 and then to Rs. 32,553 crore in 1990-91. In 1990-91, the value of exports rose to Rs. 32553 crore showing a growth rate of 15.9 percent over the previous year. Again in 2000-01 the value of exports stood at Rs. 203571 crore showing a growth of 56.9 percent over the previous year. In 2011-12, it stood at 14.82 lakh crore. Due to the introduction of various export promotion measures since the devaluation of rupee in 1966, the value of Indian exports recorded some increase but this increase in exports was totally inadequate considering the sizable growth in the value of imports. This has resulted a persistent and widening trade deficit

### **Effect of Globalization on Indian Economy:-**

Globalization has both positive and negative effects on Indian economy. These are as follow.

**Positive effects of globalization on Indian economy:** - These are as highlight the positive effect of globalization policy on Indian economy. As a result of foreign trade policies adopted in the wake of globalization, India's share in the world trade has gone up.

**Table 2, India's Share in the World trade.**

Year	India's percentage share in the world
1990-91	0.53
1995-96	0.60
2005-06	1.00
2007-08	1.64
2008-09	1.64
2009-10	1.78
2014-15	1.96

Above table shows that as a result of globalization of India's foreign trade there has been some increase in India's share in world trade. In 1990-91 India's share in world trade was 0.53 percent. In 1995-96 it rose to 0.60% in 2009-10 increase to 1.78 and in 2010-11 it farther increased to 1.96 percent. Share of India's GDP has been constantly rising. In 1990-91 it was 6 percent of GDP that rose to 23.39 percent in 2014-15.

**Increase in Foreign investment:** - As a consequence of globalization in foreign investment policy 1991, our govt. started encouraging the entry of foreign investment; there has been a considerable increase in foreign direct investment as well as foreign portfolio investment. There is significantly increase in foreign investment in India. In the year 1990-91, to foreign investment (FDI and Porto) was US \$ 103 million. In the year 2007-08, amount of foreign investment increase to US \$ 62, 106 in 2009-10 and 2014-15 in inflow of foreign investment has increase to US \$ 70, 139 and 64,372 million respectively. Increase in Foreign Exchange Reserves: \_ as a result of globalization of Indian. In the year 1991, foreign exchange reserves of India amounted to Rs 4,388 crore which in April, 2012 increased to Rs. 15,24,328 crore (US \$ 293.14 billion). Thus, there has been an increase of 347 times in foreign exchange reserves of India.

**Increase in Foreign Collaborations:** - Globalization has promoted collaboration of foreign companies with many Indian companies. These collaboration agreements can be technical and financial or both.

**Expansion of Market:** - globalization has expanded the size of market, it has permitted Indian business unit to expand their business in the whole world. Now multinational corporations, have no national boundaries. Indian companies like Infosys, Tata consultancy, Wipro, Tata Steel, reliance etc, are doing their business in many countries of the world.

**Technological Development:** - globalization has promoted the technical collaboration of foreign companies. This collaboration enabled the inflow of modern advanced and superior foreign technology in India. Now Indian business units use this modern technology. It has resulted technological development of Indian business units.

**Brand Development:** - Globalization has promoted the use of branded goods. Now not only durable goods are branded but products like garments, Juices, Snacks, food grains etc. are also branded. Brand development has led to quality improvement.

**Development of Capital Market:** - Globalization has helped in Indian capital market development now many foreign investors invest in Indian capital market recently there has been substantial increase in inflow of foreign direct investment and portfolio investment.

**Increase in Employment:** - As a result of Globalization foreign companies are establishing their production and trading units in India. It has increased employment opportunities for Indian. E.g. many Indian's are employed in foreign insurance companies, mobile companies etc.

**Reduction in brain Drain:** - as a result of globalization, many multinational corporations have set up their business units in India. These MNCs provide attractive salary package and good working conditions to efficient, Skilled Indian get good employment opportunities in India. It has resulted in reduction in brain- drain.

**Negative Effect of Globalization:** - following observation highlight the negative effect of globalization policy on the Indian economy:-

**Loss of Domestic industries:** - as a result of Globalization foreign competition has increased in India. Because of better quality and low cost of foreign goods, many Indian industrial units have failed to face competition and have been closed.

**Problem of Unemployment:** - as a result of globalization foreign companies or even some Indian companies use capital intensive technology. With the increasing use of capital intensive technology the employment opportunities are reduced and increase the problem of unemployment in Indian economy. **Exploitation of Labour:** - Globalization is exploiting unskilled workers by giving lower wages, less job security long working hours and worse working condition.

**Increase in Inequalities:** - globalization has benefited MNCs and big industrial units but small and cottage industries are adversely hit by it. It has increased inequalities in India.

**Bad Effect on Culture and Value System:** - Many global companies sell such products as distort our culture and value system. The vulgar advertisements shown by some MNCs pollute the thinking of young generation in India.

### **CONCLUSION:**

On the basis of above study we can say that globalization is not a free lunch as an outward looking. It is a mixed bag of success and failures. Having gone through positive and negative effect of globalization of we can say that it is not equally beneficial for all countries of the world. So we need a policy of globalization which is beneficial, creates opportunities with the objective of growth, employment and equity and raise the welfare of all people throughout the world. Government should adopt measures to ensure fair globalization policy.

## REFERENCES

1. R. & D. "economic reform in India'(2010).
2. Jain & M.R. Trehan. "Business environment"
3. D. & R. & K.P. sundram, "Indian economy"
4. Jain & Majhi, "Economic development & policy in India"
5. L.K.Jha, "New trust in Indian economy"
6. M.S.K. & V.K. Puri "Indian economy"
7. Jin & M.R> Trehan, "Sectoral aspect of Indian economy"
8. Govt. of India, "Economic survey"