

# IMPACT OF GLOBALIZATION IN INDIA

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**Abstract:-** The term globalization refers to the free movement of goods, services, labour, capital, technology across countries. Globalisation allow different countries to establish congenial relations among them and allow developing countries to develop and expand their market base. In India the term globalization was adopted in 1991 in the name of (LPG policy) that is liberalization, privatization and globalization with aim to open Indian economy for global entrepreneurs and to solve the problem balance of payments. Through this paper an attempt is made to study the term globalization on Indian view its impact on Indian economy both positive and negative.

**Keywords:** Globalization, Privatization, Impact, Liberalization.

## 1.0 Introduction

Globalization came not because of the wish of India but was resorted due the global completion from the dominating and major markets of the world. In the days of early independence India resorted on to the policy of less imports from foreign countries which was also known as Import Substitution Industrialization and focused on to development of indigenious industries and domestically manufactured goods so as to boost the domestic industries. Imports from other countries were dealt with severe import duties. It was only in 1991 when the government was pressurized by leading global institutions such as World Bank, International Monetary Fund and World Trade Organizations to opt for LPG policy in order to combat its deteriorating financial health. globalisation was seen as double edged weapon which proved helpful to the deteriorating financial health but also posed threat to the domestic market of India and brought losses o the Small Scale Sector.

## 2.0 Objectives to the Study:

1. To study the term globalization in Indian view.
2. To analyze the positive outcomes of globalization.
3. To study the negative consequences brought in by globalization.

## 3.0 Research Methodology

This paper is based on literature review of news paper, research articles, research papers and the data sourced from secondary sources with a view to develop an understanding about the concept of globalization and impact on the Indian economy.

## 4.0 Globalization In India

After the oil crises in 1960's the financial position of Indian economy was stagnant the foreign reserves fell to the lowest level, the industrialization policy was not showing effective results, the country was in need of urgent loans from the world bank to fund its needs in those circumstances. The then Indian prime minister P.V Narsimha Rao and finance minister Dr.Manmohan Singh accepted the pre loan conditions of the leading financial institutes about removing restriction on international trade by India in other words to accept the concept of globalization, liberalization and privatization and to open the doors of Indian economy for the rest of the world to trade in from there India has been following this concept of LPG in running the Indian economy. Since then the value of international trade has risen from **12.50billion** in1950-51 to **630810 billion** in2003-04 and is rising.

YEAR	GDP GROWTH (ANNUAL %)
1990	5.533
1991	1.057
1992	5.482
2016	7.107

Source: World Bank National Account Data

#### 4.1 Observation:

By 1985 India started facing the balance of payment problems and this problem become worse by the end of 1990 which was even depicted by the falling GDP as the country was facing severe shortage of foreign reserves. And in mid 1991 LPG was introduced as the pre-condition for loan and as impact of that GDP rose by 4.425 % and 2016 our GDP was 7.107%.

#### Some of the MNCs that began their operations in India after 1991

S.No	Multinational companies	Year of arrival in India
1.	MC DONALD'S	1996
2.	Domino's	1995
3.	Hyundai	1996
4.	Nike	1997
5.	Samsung	1995
6.	Sony	1994
7.	IBM	1992

#### 5.0 Favorable Outcomes of Globalization

For Indian economy globalization and liberalization norms has shown positive results as customers are offered products of global brands and are able to raise their standard of living the service sector including health care, tourism, education, communication has been benefitted largely with the introduction of globalization and some of the positive outcomes are specified below:

**5.1 Widened Markets:** with the advent of globalization the markets have become borderless as Indian companies are operating outside the country and foreign companies are operating in India .Indian MNCs such Reliance, Wipro, Tata Group, etc are such companies which are successful outside India are making huge profits .in the financial year 2016-17 reliance exports from India were worth 22.8 billion crores to other countries .on the other hand foreign MNCs are working in India like P&G,MC Donald,KFC etc are offering varieties to customers and high quality products and services.

#### FDI Inflow and Outflow: US \$ BILLION

Year	FDI inflows	FDI outflows
2007	22.8	13.3
2008	34.8	18.5
2009	41.9	18.6

2010	37.7	14.8
2011	34.8	16.8
2012	46.6	14.6

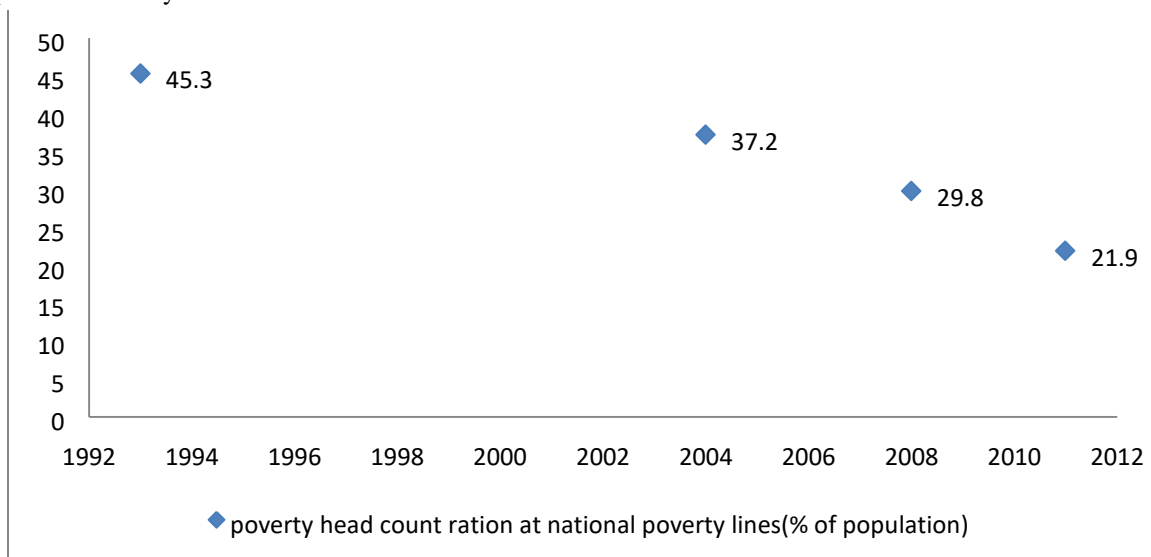
SOURCE: RBI

**5.2 Observation:**

The policy initiative to increase the foreign investment limit from 40 to 51% since 1991 has been considered as a move to attract the foreign investment in India. FDI inflows as per the above data has shown an increase from 22.8 in 2007 to US\$ 46.6 dollar in 2012 on the other hand FDI outflows have shown an slight increase from 13.3 in 2007 to 14.6 in 2012 .the major sectors of Indian outflows in FY 2012 have were manufacturing ,real estate,financial,insurance,transport,communications and others.

**5.3 Employment Opportunities for Skilled Labour:**

The concept of globalization has also benefitted the Indian economy in the form of improved employment opportunities for India’s skilled labour .as because of large scale production to serve the global markets manpower is need that results in increased recruitment of people to promote the production processes which leads to increased standard of living of people and better financial positions. According to the data of World Bank poverty in India has been declining considerably thereby making people economically stable.



Source: World Bank Data

**6.0 Observation:**

According to the World Bank data after the policy implementation of 1991 there has a been a considerable decline in the poverty rate from 45.3% in 1993 to 21.9% in 2011 which shows that poverty has declined by 23.4% which is outcome of employment opportunities generated for people which has in turn increased their purchasing power.

**6.1 Boom for the Health Care Sector:**

The latest techniques of open heart surgeries, body parts transplant operations have been possible due to knowledge sharing and improved collaboration between different countries which has resulted in research capabilities and lead to the inventions of new medicines which has resulted in increased life expectancy of people.

**6.2 Information and Knowledge Sharing:** Globalization has further made it easy to share knowledge, information, technical knowhow's between countries like collaborations between Indian and foreign universities for education purposes has resulted in creation of global platforms for learning.

### **7.0 Not So Favorable Outcomes of Globalization**

Though globalization has resulted favorable outcomes whether we consider technology or information and knowledge sharing but still it has brought some negative outcomes with it for the Indian economy which has up to some extent harmed the economy and its people. Some of the negative outcomes are explained as follows:

**7.1 Global Competition:** liberalization of trade policies have resulted in floods of foreign goods at much cheaper rates in Indian markets which has made difficult for the local manufacturers to compete with advanced technologies resulting in failure of many companies for instance car brands (ambassador, fiat) failed to cop up with the global competition and hence failed.

**7.2 Employment Made Uncertain:** With globalization came the capital intensive techniques which do brought efficient results as increase in the level of production and inefficiency but impacted the requirement of labour which resulted in reduced employment opportunities in some sector rendering people unemployed.

**7.3 Small-scale Sector:** This sector has been badly hit because of the globalization as small scale sector consists of those firms which are highly dependent on indigenous technology and are mainly labour intensive on the initiation of globalization these firms had to face competition from machine made goods in their own country and their quality did not match foreign goods in foreign countries hence exported value of goods by these firms were very low and this resulted in closures of such firms hence resulting in unemployment.

**7.4 Socio-Cultural Changes:** Globalization has resulted in cultural exchanges between countries. Indians have opted for modernization in respect of food, cloths, thinking which has resulted in deterioration of Indians values, culture for instance food supplied by MNCs like KFCs, McDonald is usually junk which causes ill effects on the health of people and people are forgetting the principles of healthy Indian food moreover the system of joint Hindu families is shrinking due to the influence of western culture.

**7.5 Degradation of Resources:** It is observed that foreign companies which come to India for operations degrade the resources available in the country such as causing pollution, exploitation of labour and degrading land, water and other resources.

### **8.0 Conclusion**

On understanding the impact of globalization on the Indian economy both positive and negative we can say that though globalization has resulted in reduced trade barriers among countries, ease of doing business in India but it has caused some permanent damages to the economy of India i.e. the damage it has caused to the SSI had disastrous consequences for the people. but on concluding this could be observed that globalization has benefitted some sectors of the economy but has also caused fatal results for some sectors.

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