

INDIA: IMPACT OF GLOBALIZATION

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Abstract: The paper focuses on the changes in the economic performance of the country before and after globalization. The paper shows the graph of import and export rates of the past 20 years in order to draw analysis and conclude the changes in the development of export and import in the country. The economic reform was introduced in India in the year 1991 since then the Indian economy has gradually moving ahead and becoming one of the great economic countries since then. The objective of implementing Globalization was to strengthen the Indian trade with the foreign countries, the removal of barriers and free import and export. The policy concentrated mainly on the liberalization of capital products and industry-oriented imports to promote national and export-oriented development. The paper focuses on the Globalization, Indian foreign trade. The analysis includes the study of last 20 years Exports and Imports of top 5 countries and the Government of India responses of trade and investment policies of the Government of India.

Keywords: Globalization, Imports, Exports, Foreign Trade, Balance of Trade.

1. INTRODUCTION

In the oldest literature available, it is observed that trade has been a prominent way of sustaining in the community. Trading started in the form of barter system wherein people used to exchange goods for goods, then it started between different civilizations. Then gradually the size of the trade widened and after that the foreign trade started. Because of the colonization by various European countries, the trade routes were established. After independence, countries started trading and sharing their resources outside the geographical frontiers of their nation, and that is when Globalization started. New types of business started and new cultures were introduced. In the year 1991 the Economic reforms were introduced by the Finance Minister Dr. Manmohan Singh. Under this reform Liberalization, Privatization and Globalization (LPG) came into force. Globalization is one of such policies which had huge impact on the economy of India. Globalization is process by which the regional society, economies and cultures have become integrated through a global network of communication, trade and transportation. The word is sometimes used specifically to refer to financial globalization: the integration of domestic economies into the international economy by trade, foreign direct investment, capital flows, migration and technology spread. After the implementation of LPG policy, the Indian foreign trade has got a boost in the foreign market. The import and export of the country has experienced a major change. In the present scenario the Indian economy has become one of the largest economies in the world. India has acquired a prominent position among all the countries in the Asia-Pacific Region. These days India is giving a very tough competition to the Chinese market. In the year 2016, India was the largest exporter of commercial services in the world with the record of 3.4% of Global trade in the service sector alone and it increased to 5.7% in the year 2017.

Globalization has been a dynamic factor since past 5 decades which resulted in the reduction of economic activities but the private sector has expanded gradually replacing the government. This has created new market like service, consumers, finance, new agents like MNCs, WTO, Regional Blocs. In the early 1990s, Indian economy faced economic crises like Fiscal policy, inflation pressure and severe balance of payment crisis. The congress government responded to these problems and the SAP committee was appointed to reform in the external sector but the recommendations failed to bring expected changes in the economy.

In the year 1995, World Trade Organization (WTO) came into existence with a view to ensure Global Co-operative Trade Environment, creating more Job opportunities and raise the income standards of people through fair and open trade which has also added new dimensions in the India's Foreign Trade Sector.

Globalization has played a major role in the development of country's Economic Growth.

2. LITERATURE REVIEW

India's international trade since globalization (Matore and Sagar, 2015), the research paper shows that the admissions are growing at a lessening rate anyway the imports are extending at an extending rate. Trade setback extended all around distinctly from 2004-05 to 2009-10. The association of India's remote trade has encountered huge changes, particularly, after the movement and globalization. Our significant charges as of now fuses manufacturing stock, for instance, Building Merchandise, Oil based commodities, Synthetic substances and partners. Things, Diamonds and Jewelleries, Textiles, Electronic Merchandise, etc. India's Fares of Administrations. Also, the paper focuses on how important are enterprises in the development of the economy, why are free trade agreements important to micro, small and medium enterprises and the key features of Free trade agreements.

Globalization and WTO: Impact on India's Economic Growth and Export (Pandey Alok, January 2008), the author explains that the role of exports plays a major role in the economic growth of the country and also, he mentions that there are various studies that reveal the relationship between exports and economic growth is a complex concept.

To sketch the economic growth of the country, the author has taken data from the economic survey of 1992-2004. This research is more focused on the GDP of the country and its relation with economic growth, the comparison is calculated using statistical tools like mean, median, mode. And according to the study the export rate of the country in the year 2004 was 27.94% which was comparatively more than the previous year. India's GDP, its components and export rate has decreased in terms of per annum growth after the economic reform in the year 1991 and again it has declined after 1995 when WTO came into existence.

India in the Process of Globalization (Goyal Kamlesh, December 2016), the author explains the process of Globalization, how it is affecting the growth of the country. He also mentions that Globalization comprises of liberal microeconomic policies such as deregulation, liberalization and privatization which was conceived and initiated by Prime Minister Rajiv Gandhi in the year 1985 and it was known as New economic policy, Later it was officially adopted as a system by Prime Minister P.V. Narasimha Rao and Finance Minister Dr. Manmohan Singh in the year 1991 which was popularly known as New Economic Reforms and now it is accelerated by our Prime Minister Narendra Modi through Make In India, through the concept of increasing exports and reducing the rate of imports. He also says that Globalization will lead to marginalization of some groups causing large scale unemployment and inequalities, as also a strong rise in consumerism and damage to the environment. It is also presumed that free market system can become the source of economic and political corruption in India.

3. CONTENT

Concept Of Globalization

The concept of the word Globalization means that the world is getting Smaller as well as Bigger day by day. Akteruzzaman. Md, 2006 described that globalization can contribute to develop pattern of cross border activities of firms, involving international investment, trade and strategic alliances for product development, production, service and manufacturing of Goods and services. These worldwide companies aim at joining fresh economies, exploiting their advantages in technology and organization, and lowering business costs and hazards. Other scholars said globalization is a social phenomenon that defines the limits of geography in terms of many separate issues. These days the word globalization nowadays has become a synonym of the word economic development. Globalization came into force after the 2nd World War. One of the main factors for this was the system of world leaders to break down borders to promote trade links between nations. The formation of the United Nations Organization (UNO) was also an important step in this regard. The economic condition in the world has gradually strengthened, leading to greater interactions in trade and communication. Other factors that have benefited globalization include: free trade promotion and trade abolition of various double taxes, tariffs and capital controls. The term globalization is driven by liberalisation, capital flow, FDI, FCI, etc. Globalization has removed the barriers which were present and was a hindrance in the trade between countries.

Globalization In India

The wake of globalization was first felt during the 1990s in Quite a while when the then Finance Minister, Dr Manmohan Singh began the money related movement plan. Starting now and into the foreseeable future, India has well-ordered

ended up being one of the money related goliaths on the planet. Today, it has ended up being one of the snappiest creating economies on earth with a typical improvement pace of around 6-7 %. There has in like manner been a vital climb in the per capita pay and the lifestyle. Desperation has similarly diminished by around 10%.

The organization business has a segment of around 54% of the yearly Gross domestic product while the mechanical and country parts share around 29% and 17% exclusively. On account of the technique of globalization, the charges have also improved basically.

Indian economy has experienced major policy changes in the early 1990s, the new economic reform which is popularly known as Liberalization, Privatization and Globalization (LPG) was aimed at making the Indian economy as the fastest growing and a global competitive economy. These reforms were focused to develop the Industrial sector, Trading sector as well as Financial sector of the economy to work in the most efficient way. In the year 1991, when the economic reforms were set, a new chapter had begun for India and its billion population and it has made a tremendous impact on the overall economic development of the country. Few of the major measures implemented during the Liberalization, Privatization and Globalization period were: Devaluation, Disinvestment, Dismantling, Non-Resident Indian Scheme etc. Globalization has both positive and negative effects on the economic growth of the Country and on the one side it has led to the increase the GDP rate and on the other side it has created inequalities among Indian people. It is also observed that few people are exploiting the resources of the economy and most of the National income is possessed by them, hence this type of unequal distribution of income is generating poverty, unemployment etc.

Globalization As A Boon

The development pace of GDP of India has been on the expansion from 5.6% (1980- 90) to 7% (1993-2001). Over these 10 years there is an increase of 1.4%. It was 9.2% in 2006-07. And according to 2016 data the GDP is developing at 7.4% appeared by association spending plan of 2016-17. The outside trade stores were \$39 billion (2000-01), \$107 billion (2003-04), \$145 billion (2005-06), and \$180 billion out of 2007. As per hold bank of India, India's outside trade stores are \$351.83 billion as on 19 Feb, 2016. The aggregate FDI inflows from 1991 to 2006 were Rs. 81566 crores (\$43.29 billion). The GDP growth rate in the fourth quarter of Financial Year 2019 declined to 5.8% than expected from 6.6% in the previous quarter. The segments drawing in most astounding FDI inflows are electrical hardware including PC programming (18%), Service Sector (13%), Telecommunications (10%), and Transportation industry (9%) and so on. In 2010 India's offer was 55 percent in Global Outsourcing market.

India's rank was fourth in market capitalization in 2005, it was gone preceded by USA, Germany and China. Currently India is in ninth position, with 8 countries before it the position is worsened but was able to join Trillion-dollar market by going through all the ups and downs. India's market capital is \$1.6 trillion and it contributes 2.5% of world's capital market. According to 2015 Forbes list, India had 100 billionaires wherein there were only 40 billionaires in the 2007 Forbes list. The assets of these billionaires are more than collective investment in the 91 public sector undertakings by the central government of India.

Globalization As A Bane

India is said to have the largest number of child labourers in the world. Poverty and lack of security are the main causes for child labour. Post reform India has faced a drastic increase in the child labour due to LPG policies and the role of public sector was reduced. Therefore, the corporates worked with the moto of making profits. Agricultural sector had to witness losses due to lack of public investment, indebtedness of farmers and presence of intermediaries between sellers and buyers. Job and social security is a major issue in this modern era, earlier in the public sector people had jobs and also security along with other benefits. Poverty and Unemployment are other factors which contribute to the negative impacts of Globalization, due to increase in private enterprises there is decrease in the employment opportunities to the rural people who are illiterate and hence leads to poverty.

Foreign Trade

Foreign Trade means exchange of capital, goods and services across the geographical boundaries of a country. Indian trade has progressed a lot over the past 70 years since Independence. The government policies had left a negative impact on the import and exports of the country, but it geared up during the Liberalization era. Now the trading sector is dominated by the manufactured goods and services. Service sector has grown rapidly across nations in the recent past. It is observed that the rate of exports under service sector is more than the export of manufacturing sector. And with the economic theories we can conclude that Indian economy will grow potentially in the upcoming years.

Table I: India's Foreign Trade (2000-2019),(in USD Million)

YEAR	EXPORT	IMPORT	TOTAL TRADE	TRADE BALANCE
2000-01	44,560.28	50,536.44	95,016.43	-5976.17
2005-06	103,090.52	129,691.77	232,739.35	-26,601.25
2010-11	249,815.53	369,769.12	619,581.79	-119,95.58
2015-16	262,291.07	381,007.47	642,096.63	-118,716.40
2018-19	330,078.08	514,018.35	844,148.55	-184,000.27

Source: The Govt. of India

Policies and dominant views of import substitution and export pessimism has a negative impact. The situation improved in 1970s and exports has finally picked up in post liberalization era in general and after 2002 in particular. In terms of composition, now it is dominated by manufactured goods and services. Services exports contribution has grown rapidly in recent past. India services exports share in global exports is more than double of that of Indian manufacturing exports. In terms of direction, it is now more distributed around the world and the share of East Asian countries has on rise in overall trade. Looking at the large size of the economy, the high growth rates and small share in world trade; with the help of economic theories, we can safely conclude that there is huge untapped potential for Indian foreign trade in years to come.

Analysis

A keen analysis of the table brings forth that in the Foreign Trade, the exports of the top 5 countries are taken in which the data for export shows that it is increasing at a decreasing rate. The table brings out the growth of India's exports during the period 2000-01 to 2018-19. The table highlights that India's export the top 5 export countries during the period 2000-01 increased from 44,560.28 USD Million to 103,090.52 USD Million (2.3 times approx.) in 2005-06; from 249,815.53 USD Million in 2010-11 to 262,291.07 USD Million (1.04 times) in 2015-16; from 262,291.07 USD Million 2015-16 to 330,078.08 USD Million (1.25 times) in 2018-19. Whereas the Imports from the top 5 countries during the period of 2000-01 increased from 50,536.44 USD Million in 2000-01 to 129,691.77 USD Million (2.5 times approx.) in 2005-06; from 369,769.12 USD Million in 2010-11 to 381,007.57 USD Million (1.03 times); from 381,007 USD Million in 2015-16 to 514,018 USD Million (1.34 times) in 2018-19. Since overall growth of imports exceeds that of exports, the trade deficit witnessed a substantial rise from 5976.17 USD Million in 2000-01 to -119,95.58 USD Million in 2010-11 and later increased to 184,000.27 USD Million. An extreme increase in Trade Deficit has been observed from 2010-11 to 2015-16 with 92,115.15 USD Million.

4. CONCLUSION

Globalization has its own Positive and Negative impacts on the economy of a country in this modern era. Government should reap the benefits from the globalization by implementing policies such that it can attract foreign direct investments. It is said that our policies are influenced by the Corporates as there is an increase in billionaires according to Forbes list and also the elections are financed by the corporates so it's obvious that the policies are influenced by them in order to fulfil their own personal interests. China and Russia have utilized the FDI to elevate masses above the poverty line, such policies can be adopted by India towards Globalization. Also, the exports of the top 5 countries are taken in which the data for export shows that it is increasing at a decreasing rate. An extreme increase in Trade Deficit has been observed from 2010-11 to 2015-16 with 92,115.15 USD Million. There has been the exports. The Indian foreign trade has undergone so many changes particularly after the change in foreign Trade Policy which has been implemented with some change from 2015-2020. The main imports are: mineral fuels, oils and waxes and bituminous substances; pearls, precious and semi-precious stones and jewelry; electrical machinery and equipment; nuclear reactors, boilers, machinery and mechanical appliances; and organic chemicals and

Pearls, precious and semi-precious stones and jewellery; mineral fuels, oils and waxes and bituminous substances; vehicles, parts and accessories; clear reactors, boilers, machinery and mechanical appliances; pharmaceutical products; and organic chemicals.

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