



## Think India Journal

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## **Impact of Globalization in Developing Countries - A Special Focus on Indian Economy**

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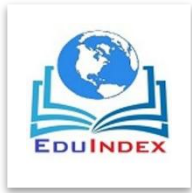
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### **Abstract**

Any developing country across the world, Globalization brings in lots of new opportunities for its growth. India rolls out several new economic policies brings in changes in the economic policy to incorporate its economy to the global economy. Those changes attracted lots of foreign trades, international businesses and several investment alliances from various countries. Though globalization is not a new word and it's been viral all over the world since last century. Globalization has various face like technical, economical, informational, etc. In this paper, we focus on the impact of Globalization on Indian Economy. Further we look in detail on the various benefits of the globalization, what it brings in to the country, and the India's economy performance after the globalization. The globalization spreads over at the end of cold war and the break-up of the former Soviet Union.

### **Introduction:**

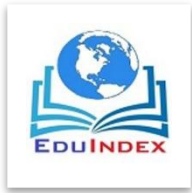
Almost in any developing countries the globalization seen as an important event impacting the country's economy<sup>1</sup>. Globalization given a lot of opportunities for developing countries in terms of greater productivity and improved living standards<sup>2</sup>. Globalization happened in India at the end of the cold war. India introduced several policies to adopt the globalization and to gain the maximum out of it. Lots of changes in trade and industrial policies taken place attracted lots of Foreign Direct Investments (FDIs), brought change in foreign collaboration policies, changes in export – import policies to ease the procedure, opening



improved IT sectors, facilitating in opening new industrial zones, etc. After all these changes, Indian economy shows a tremendous change, with a very high growth in its GDP, also Indian economy fetches a place to itself in the global economic<sup>3</sup>. The globalization opened the Indian economy and integrated it to the global economy. India can also be able to maintain and exhibit the growth rate of five percent to eight percent. With the existing rate of growth, it is also being assessed that sooner India will be the third largest economy in the globe after United States of America and China<sup>5</sup>. There are three types of globalization classified in literatures they are economic globalization, cultural globalization and Political globalization. Following factors could affect the process of globalization business, economics, socio-cultural resources, natural environment.

### **Definition of globalization by famous economists:**

In 1897, Charles Taze Russell coined a term called "*Corporate Giants*", later economist Theodore Levitt coined a term in an article with title "*Globalization of Markets*". Elizabeth King's definition on globalization is "all those processes by which the people of the world are incorporated into a single world society." Anthony Giddens define globalization as, "Globalization can thus be defined as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa." Roland Robertson, writes, "the compression of the world and the intensification of the consciousness of the world as a whole." David Held and his co-writers state, "Although in its simplistic sense globalization refers to the widening, deepening and speeding up of global interconnection, such a definition begs further elaboration. Globalization can be located on a continuum with the local, national and regional. At one end of the continuum lie social and economic relations and networks which are organized on a local and/or national basis; at the other end lie social and economic relations and networks which crystallize on the wider scale of regional and global interactions. Globalization can refer to those spatial-temporal processes of change which underpin a transformation in the organization of human affairs by linking together and expanding human activity across regions and continents. A satisfactory definition of



globalization must capture each of these elements: extensity (stretching), intensity, velocity and impact”.*Paul James* defines globalization, “Globalization is the extension of social relations across world-space, defining that world-space in terms of the historically variable ways that it has been practiced and socially understood through changing world-time”.



### Economic Globalization:

Economic Globalization will integrate the country’s economy to the global economy, and it increases the interdependence of the several national economies across the globe<sup>6,7</sup>. Eventually when India is opened for globalization there was a significant movement of goods, services, investments, technologies, culture, capital were seen across the borders. Since India shows a significant growth in the past two decades, it attracts several foreign companies to invest and establish in India<sup>8,11</sup>. As per Mr. Henry one of the world-famous economists, in the future entire international system will be handled by the following countries Europe, Japan, Russia, United States of America and India<sup>17,18</sup>. Also Mr. Samuel Huntington predicts that, the phase in which India’s economy is growing will lead India to reach rapidly developed country and holds a major

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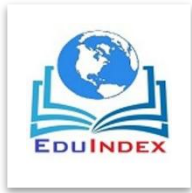
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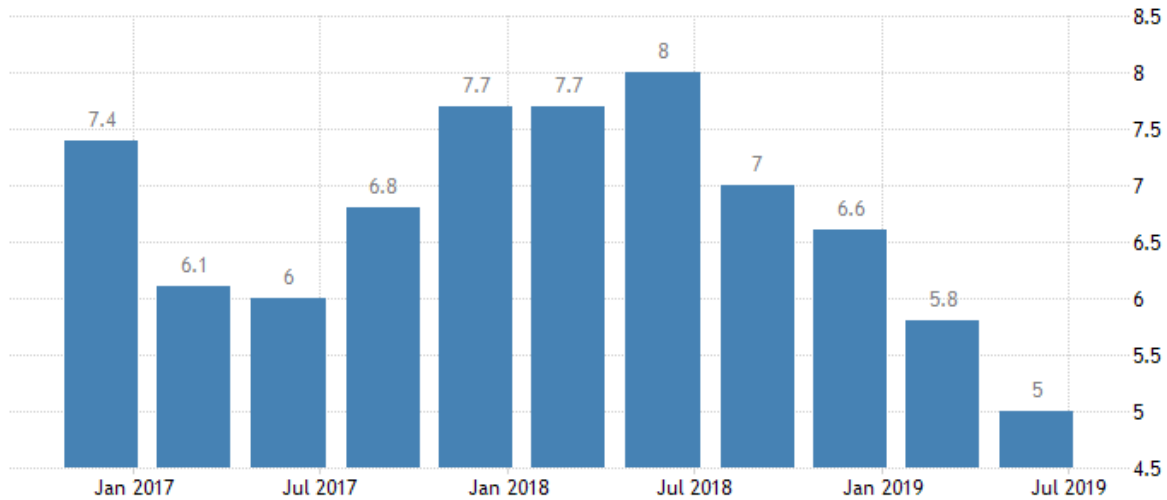
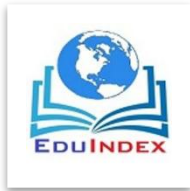
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influence in world affairs. Indian economy is the fifth largest economy in the world by GDP measure, further it holds the third largest Purchasing Power Parity (PPP) <sup>2</sup>.

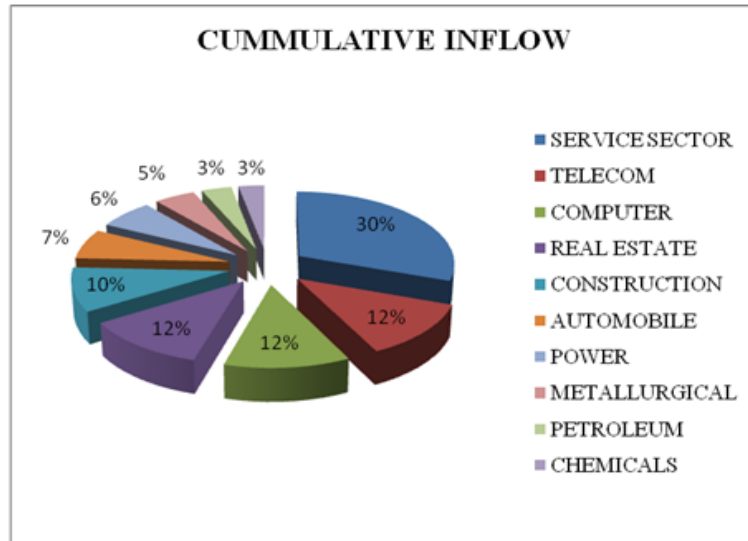
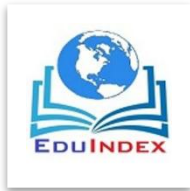
### **Economy of India after globalization:**

India achieved around six to seven percent of average GDP growth annually after the economic liberalization. Also, it did surpass china in 2015 and 2017 financial year. India ranks 126<sup>th</sup> in per capita GDP. Since India holds a large population of youngsters the future economic growth of the India looks highly positive. Also, the increasing investment rates, healthy savings, increased integration to the world economy. India has the large and highly growing service sector, which grows sustainably each year with a growth rate more than nine percent. It was reported that at 2012 financial year the service sector contributed 57% of the country's GDP, in 2019 it makes up to 55.6%. India holds a great number of skilled labors, hence it become one of the major exporters of information technology(IT) services, Business Process Outsourcing (BPO) services and software services with a GDP value of 11.326 trillion USD in the financial year 2019<sup>19</sup>. Also, India stands as a third largest startup hub in the world. Eventually, IT sector stands as largest private sector employer. India is an agricultural country, ranks second in farm product exporter in the world. Hence agricultural sector in India is also a largest employer in the country. Due to the improper monsoon sets and intense drought in most part of the country throughout the decade, agriculture sector contributes a negative growth to the country's GDP at the financial year 2016 and this year the projection for agriculture sector is flat growth. Since then the GDP of the country keeps declining due to various factors. The projection for GDP for this fiscal year was 6.2% which is 0.8% lesser than last year<sup>20</sup>.



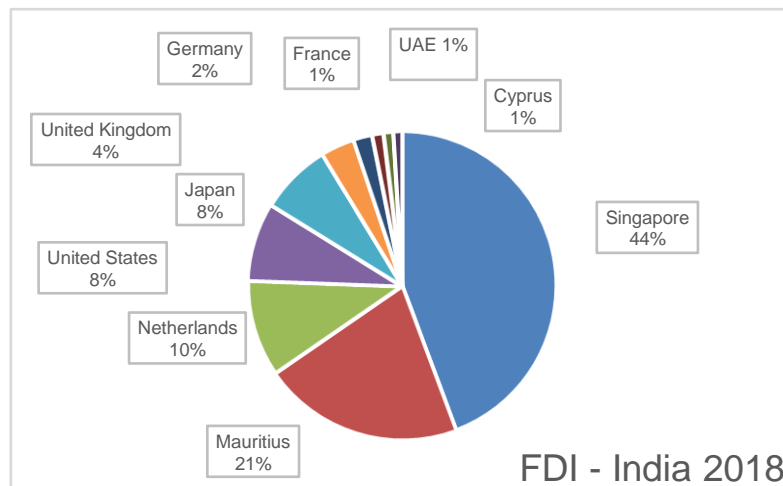
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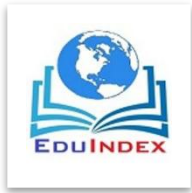
Thirdly the automobile sector of India is one the major automobile producer of the world, manufacturing around 21 million vehicles in a year, which keeps growing<sup>2</sup>. Along with improvised exporting and selling, due to the various modifications and implementation of new policies to ease the establishments of foreign firms. The Investment flow was also increased significantly, after India opened for global. Several foreign firms were started and they are attracted towards the huge availability of skilled youngsters and a huge market seeks products and services. By 1990 the FDI for India was 100 million USD and by 2018 it is recorded as more than 42 billion USD. And India holds rank 10 among the top global FDI recipients<sup>2</sup>



There was a significant growth recorded in the ratio of FDI vs GDP. During the financial year 1998 due to Asian financial crisis and nuclear test done by India gave a mild setback in the emerging Indian economy. The same was turned better from twenty first century onwards, at 2005 the economic growth was recorded as 8.5% and by 2006 it was exceeded the previous year and reached 9.5% of growth. With all the excelling performance India moved to twelfth largest economy in the world as well the fifth largest power purchasing party in the globe by then. Today India is the third power purchasing party in the world and seventh largest economy in the world.

**Country wise FDI in India:**





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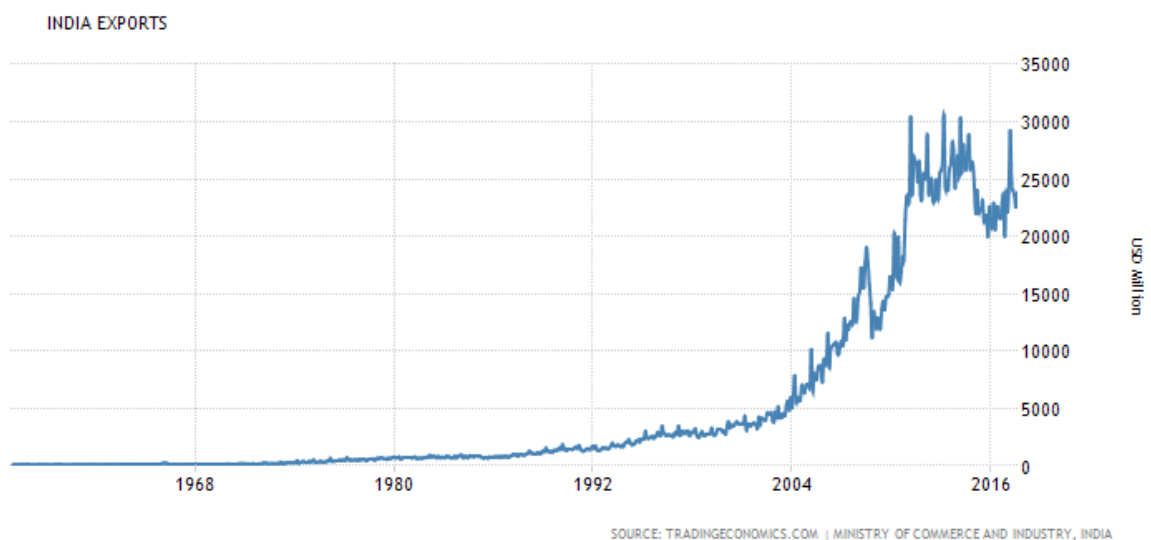
### Challenges of Globalization to India:

Globalization leaves both advantages as well challenges to the Indian economy. Though it provides a significant growth opportunities, there has been huge foreign investments and much expansion of global market in the country. Eventually the country manages to maintain the benefits from global market, but itwon'tbe enough as globalization should help in improving the quality of life of the people in the country and should not focus only on the profit making.

### 1. Merchandize trade of India:

#### a. Exports:

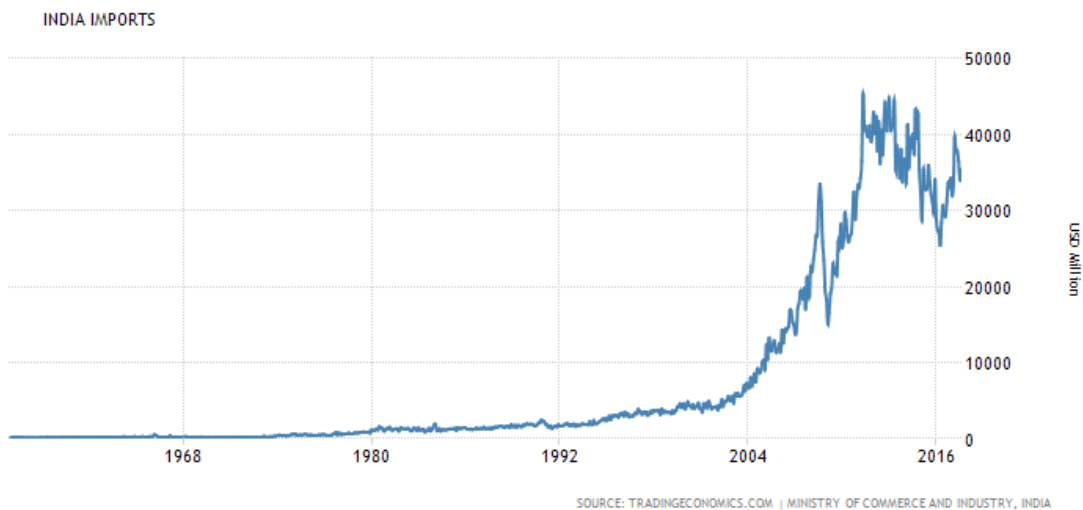
India exports raises 10.3% from the last year to 23.82 billion USD as per August 2017 in which the increased sales of engineering goods (19.5%), petroleum products (36.6%), organic and in-organic chemicals (32.4%), drug and pharmaceuticals (4.2%) and textiles (0.6%). On an average India is exporting 4953 million USD from 1957 till 2017. With the record of as high as 30541 USD Million in March 2013 and as low of 59 USD million in June 1958<sup>2</sup>.



#### b. Imports:

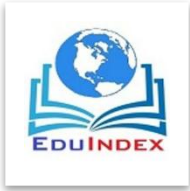


India Imports increased to 21% from last year to 35.46 billion USD till August 2017. Being the largest PPP of the world, the major purchases are increased in petroleum, crude, products (14.2%), electronic goods (27.4%), machinery, electrical and non-electrical (18.4%), pearls, precious and semiprecious stones (30.9%), gold (68.9%). On an average India is importing 7207 million USD from 1957 till 2017. With the record of as high as 45281 USD Million in May 2011 and as low of 117.40 USD million in August 1958<sup>2</sup>.



## Demerits of Globalization:

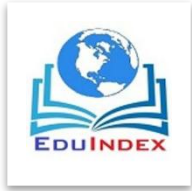
Though globalization brought it lots of advantages, the demerits are very evident. Globalization contributed an increased gap between the rich and the poor. There is high environmental pollution recorded due to increased industries and the release of its pollutants. The precious natural resources like forests, minerals are exploited. Globalization made most of the countries monotonous, eventually lots of countries fail to maintain their unique culture, heritage, culture, and their tradition. Small scale industries, cottage industries, local businesses were suffered a lot. Due to the integration of economies to the global economy, if one major economic



nation setbacks can have adverse effect on entire world. Globalization creates a great roadway for the skilled labors on the other hand they made an increased disadvantage to the unskilled labor, they do not have any opportunity in the global environment. Further the advanced countries or developed countries can able to sell their product to all the under developed countries, which leads to under developed countries remain depend on developed nations. Also, the globalization extends its harm in disease spreading also, if the infected foreign person travels and spreads the disease to the locals. Globalization can also lead us to act in a certain way, irrespective whether we like it or not.

## **Conclusion:**

Globalization is the process through which Indian economy got significant growth in GDP, increased economy rate, improved Exports and Imports, huge inflow of Foreign Direct Investments (FDI), increased service revenues, increased software production and exports. With the improved import India become the world third largest Purchase Power Party, India become one of the major player in the global economy. Also, India shows an improvement in the per capita GDP ranking from 117 in 1990 to 94 in 2009. Still a lot more scope for improvement is quite evident based on the achievements, in the coming decades lot of improvements can be seen. Globalization will just pave one among the path for the country's economic success but the government should take necessary steps on time to bring in the value. The government should also act appropriately to bring in the additional value oozes out of globalization. Improved exports and reduced imports could give much more value to the country's growth, China sets a greater example here. To improve the exports the Indian exporters should be highly as well globally competitive. Government should promote the export and take measures to reduce the imports. Focusing on trade deficits will help in improving the export business. The current fix need to improvise the economy is eradicating the existing crisis, rural poverty, corruption, political instability and ensure the situation stays the same. Though there is a de-growth in last few years still India is counted as a major economy of the world and getting global recognition



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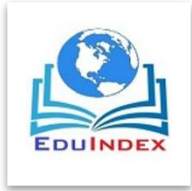
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and moving forward year on year to become major economy and political strength in the world. Serious policies should be brought in place to improvise the farm output exports. Financial support should be improved especially to small scale industries, farmers to upgrade their machines and technologies. The import of oils, cereals, grains for lower price challenged the existence of the Indian farmers and import of semi-finished goods challenged the small-scale industrialist. Indian manufacturers couldn't able to compete the global players. Bringing changes in these sectors are highly important to improve the country's economic growth as well uniform growth opportunity to all.

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