Effect of Globalization on Indian Economy

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ABSTRACT
Globalization is an important element of economic reform, introduced in India in 1991. Owing to globalization it was expected that globalization should be beneficial 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.

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 it totality implies the following:-

- There is a spread of international trade.
- People migrate from a country of 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.

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:-
Increase in Foreign Trade: - As a result of foreign trade policies adopted in the wake of globalization, India’s share in the world trade has gone up.

### Table 1. India’s Share in the World trade.

<table>
<thead>
<tr>
<th>Year</th>
<th>India’s percentage share in world trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>0.53</td>
</tr>
<tr>
<td>1995-96</td>
<td>0.60</td>
</tr>
<tr>
<td>2005-6</td>
<td>1.00</td>
</tr>
<tr>
<td>2007-08</td>
<td>1.64</td>
</tr>
<tr>
<td>2008-09</td>
<td>1.64</td>
</tr>
<tr>
<td>2009-10</td>
<td>1.78</td>
</tr>
<tr>
<td>2014-15</td>
<td>1.96</td>
</tr>
</tbody>
</table>

**Source:** economy survey, 2014-15.

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 forging 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. Trades in forging investment in India as follow:

### Table 2 Foreign Investment Inflow in India (US$ Million)

<table>
<thead>
<tr>
<th>Year</th>
<th>FDI (Foreign Direct Investment)</th>
<th>Portfolio Investment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-912</td>
<td>9</td>
<td>6</td>
<td>103</td>
</tr>
<tr>
<td>2000-01</td>
<td>4,031</td>
<td>2,760</td>
<td>6,791</td>
</tr>
<tr>
<td>2007-08</td>
<td>34,835</td>
<td>27,271</td>
<td>62,106</td>
</tr>
<tr>
<td>2009-10</td>
<td>37,763</td>
<td>32,376</td>
<td>70,139</td>
</tr>
<tr>
<td>2014-15</td>
<td>32,901</td>
<td>31,471</td>
<td>64,372</td>
</tr>
</tbody>
</table>

The above data reflects that 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. 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.

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