



e-ISSN: 2319-8753 | p-ISSN: 2347-6710

IJRSET

International Journal of Innovative Research in
SCIENCE | ENGINEERING | TECHNOLOGY



INTERNATIONAL JOURNAL OF INNOVATIVE RESEARCH

IN SCIENCE | ENGINEERING | TECHNOLOGY

Volume 12, Issue 5, May 2023

ISSN INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA

Impact Factor: 8.423

 9940 572 462

 6381 907 438

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 www.ijrset.com

Impact of Globalization on Indian Economy

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Abstract

In the last few decades, there has been an intensification of economic relations at the international level. Every country is directly or indirectly dependent on each other in one way or the other. At present, the whole world has become a platform due to the expansion of various communication mediums, due to which international trade has become very easy, which has also affected political relations with economic interdependence. Now transporting goods and facilities from one place to another has become much easier compare to past decades. This trend is being given the name of globalization, in which in true sense the trend of regionalization has been promoted more. Whether it is called Globalization or Regionalization but these economic trends have a deep impact on the local, national and international politics and economy. While regionalization of globalization is being termed as development in developed countries, doubts are also being expressed about these trends in developing countries. In the presented research paper, an attempt has been made to analyze the positive and negative effects of increasing globalization on the Indian economy.

Keywords: Economy, International Trade, Globalization



Introduction:

Globalization is an important factor in the competitive world which integrates the cultural values of the people globally. Rapidly growing technological development has not only brought different nations on a single platform of business but also has a clear impact on their trade relations. Globalization has a wide impact on the cultural, social, monetary, political and communal life of countries. Various studies show that globalization interferes with the cultural life of the people which rises to many important issues. In a broad sense, the word globalization means the increasing exchange of information, ideas, technology, goods, services, capital, finance, etc. on the world stage through technology. According to the theorists Analytics, globalization is the process under which it has become possible to exchange ideas, communication, technology, capital, finance, goods, services and information etc. at national and international level in less time and cost.

In a general and definitional point of view, it can be said that globalization is actually a process and its goal is a globalized world which is to be achieved. Although globalization is an economic concept, it also has political and social dimensions. Regarding globalization, many scholars are of the opinion that it is the gift of the 20th century. In fact, globalization is not today's process, but its form was developing since ancient times, for example, the silk route. Yes, it would be fair to say that "modern globalization" has started from the year 1991. The pace of globalization took place after the rapid industrial revolution. Some scholars are of the opinion that Britain led globalization before the First World War, while America led it after the Second World War. The term globalization gained prominence in the two decades of the 20th century, eg 1980s and 1990s, after the end of the Cold War and the disintegration of the Soviet Union. In this whole process, the whole world was given the name of a global village.

If we analyze the effects of globalization at the global level, then it is known that due to globalization, the scope of the international market has increased a lot, due to which it has a positive effect on the economy of different countries of the world. . The economic condition of developed and developing countries appears to be stronger and after globalization, the economy of all the countries appears to be growing rapidly. This is the reason why globalization is seen from the point of view of economic development all over the world. The successful operation of globalization and its economic policies are determined by the International Monetary Fund (IMF) and the World Trade Organization (WTO). As a result of the effects of globalization, there is also a decrease in consumer prices in many developed countries, due to which the balance of power in international trade remains.

The process of globalization has different effects on different countries of the world, as a result of another globalization, the economy of many small countries is backward compared to other countries, whereas many countries are like this (especially developed) whose economy is progressing at a fast pace due to this reason. So it is clear that the process of globalization has more or less but directly affected the economies of all the countries of the world.

Objective:

The present research paper has the following objectives-

- To evaluate globalization in Indian perspective
- Analyzing the dimensions of globalization in India
- Analyzing the changes brought about by globalization in the Indian economy

Data sources:

Basically, this paper has been prepared by the help of secondary data. For this, various written literature and popular articles related to the subject have been studied, as well as the help of some online sources has also been taken for the compilation of new facts.

Review of some Important Literature :

- **P. D. Costa and Achin Chakbarti (2017)** in their book "The Land Quotation in India: State, Deepzen and Capitalist Transition" discuss the problems of land in India in the era of Globalization. And the associated SEZ presents an analysis of state policies like land acquisition.
- **Pramod Kumar Joshi (2019)** in his published research paper "A Study on Globalization & Its Impact on Indian Economy" important changes in the Indian economy has been included as a result of globalization. In this article, the author has also tried to analyze the changes in the import and export of the country with figures.
- **Subodh Kumar Shukla (2020)** - In his research paper "Impact of Globalization and Industrial Development on the Indian Economy" has described the effects of globalization and industrial development on the Indian economy. Under which the author has tried to present a detailed description of various aspects of the new economic policy such as new industrial policy, fiscal policy, new monetary policy, foreign policy, exchange control policy, new trade policy etc.
- **Manhas and Neeraj (2020)** have presented a detailed analysis of the effects of globalization on the Indian economy in their research paper "Globalization and Its Impact on Indian Economy". Under which the author has analyzed the changes in Indian GDP due to globalization with figures.

Aspects of Globalization in India:

Globalization refers to the internationalization of the markets of all the countries of the world, and on the initiative of developed countries, the World Trade Organization (WTO) has been formed to liberalize international trade. The main objective of this organization is to liberalize international trade and ensure that all nations are implementing the rules made in this context. At present, about 164 countries of the world are members of the World Trade Organization. Globalization has many aspects which can be political, cultural, social or economic, yet financial integration is the most important aspect. Economic integration involves developing a nation's economy into an international economy.

The early trends of globalization around the world after World War I and II were curtailed by a number of barriers that restricted the movement of goods and services. In fact, cultural and social integration are more than economic integration. Globalization increases competition at the national level, which leads company management and governments to adopt strategies designed to increase labor effectiveness in terms of productivity, quality and innovation.

India has been the main proponent of globalization. The Government of India made major amendments in its economic policy in 1991 by which it allowed Foreign Direct Investment in the country. As a result, globalization of Indian industry took place on a large scale. In India, the nineteenth century saw economic expansion due to a major crisis led by foreign exchange. The liberalization of the domestic economy and India's increased integration with the global economy helped in increasing the Gross Domestic Product (GDP) growth rate which in turn improved its global standing.

The effects of globalization are seen in Indian industry as this process brought in large amount of foreign investment in industry especially in BPO, pharmaceutical, petroleum and manufacturing industries. As a result, the Indian economy got a big boost. The advantage of the effects of globalization in Indian industry is that many foreign companies set up industries in India, especially in the pharmaceutical, BPO, petroleum, manufacturing and chemical sectors and this has helped in providing excellent employment opportunities to the Indian people. Also it helped in reducing the unemployment and poverty in the country. Over the past several years, there has been an increase in the number of skilled professionals employed by both local and foreign companies in India to serve clients in the US and Europe. Foreign companies brought with them highly advanced technology and this made Indian industry more technologically advanced. Globalization in India has been beneficial for the companies that have entered the Indian market.

Positive Effects of Globalization on the Indian Economy:

Studying the effects of globalization on India's economy, it is known that its qualitative effects are visible on India. In terms of export and import activities, many Indian companies have expanded their business and become globally known in industries such as fast food, beverages, and sportswear and apparel. In 2000-01, the country exported agricultural products worth over \$6 million, of which marine products alone accounted for 23 percent. It is also clear from the data that agricultural exports constitute about 13 to 18 percent of the total annual exports of the country. In recent years, marine products have emerged as the largest contributor to the total agricultural exports, accounting for a fifth of the country's total agricultural exports. Cereals, oil seeds, tea and coffee are other major products, each accounting for about 5 to 10 percent of the country's total agricultural exports.

The details of the important effects of globalization on India's economy are as follows-

Increase in exports:

If look at the national statistics of India, it is known that in the year 2022, the country's exports increased to \$ 40.13 billion, which was 23.52 percent in the previous year 2021 (these figures are till June 2022). According to government reports, the export figures in the country have increased by 53.55 percent on an annual basis, which is a good sign for the country's economy. In the 'India's Economic Outlook - July, 2022' report by leading advisory company Deloitte India, it has been said that the Indian economy can grow at a rate of 7.1 to 7.6 percent in the current financial year 2022-23. that this growth rate of India will remain despite the global crisis due to the Russia-Ukraine war, which shows the positive impact of globalization on the Indian economy.

Increase in foreign investment:

Foreign investment has increased due to globalization in the country, due to which Special Economic Zone (SEZ) has been established by the government and at the same time it has been possible to make globalization of basic facilities like electricity, water, roads etc. As a result of globalization, the investment of multinational companies has increased in India, these multinational companies have shown their interest especially in the motor, vehicle industry, and banking sector, as a result of which the employment opportunities have increased in the country. Along with this, due to the establishment of various industries in the country, the need for different types of raw materials has increased, due to which many local companies supplying these raw materials have also become rich due to the increase in the consumption of the goods.

Opportunity for Indian companies to reach the top:

As a result of globalization, competition has increased in the industry in the country, due to which many Indian companies have got the opportunity to reach the top in various fields. These Indian companies have raised their production standards by investing in latest technology and production systems. And some companies have made good profit by collaborating with foreign companies, like Hero-Honda Company. This is the effect of globalization due to which some companies of Indian origin have emerged as multinational companies. Tata Motors (in motor vehicles), Infosys (in IT), Ranbaxy (in medicines), Asian Paints (in paints), Sundaram Fosners (in making nuts and bolts) etc. are prime examples of this. These Indian companies are bringing laurels to the country by spreading their activities globally.

Consumers have more options:

Today the Indian consumer has more options than ever before. Due to which today Indian consumers are able to buy high quality goods at low prices.

Creation of new opportunities:

Globalization has created new opportunities for information companies, especially information and communication technology companies.

Reduction in fiscal deficit:

As a result of economic progress due to liberalization and globalization, the country's fiscal deficit has come down.

Negative Effects of Globalization on the Indian Economy:

Some negative effects of globalization can also be seen such as globalization has increased competition in the Indian market between foreign companies and domestic companies. Due to foreign goods being better and available at lower prices than Indian goods, consumers preferred to buy foreign goods. This has reduced the profit percentage of Indian industries. Mainly pharmaceutical, manufacturing, chemical and

steel etc. industries have been affected the most. The negative effects of globalization on Indian industries are that the advent of technology has also led to the neglect of human labor and as a result unemployment is rising especially in the field of pharmaceutical, chemical, manufacturing and cement industries. In India especially the poor sections do not get the benefits of globalization and there is a growing gap between the rich and the poor which causes to rise some criminal activities.

Conclusion:

Globalization has both positive and negative effects on the Indian economy. Globalization has led to the development of a consumer credit society in the Indian scenario. Today people can buy goods and services even if they do not have enough purchasing power and the possibility of raising credit has become easier in the era of globalization. Credit cards have promoted consumerism and pushed many families into indebtedness. On the other hand, the process of globalization has changed the social life of the people and it has a great impact on the Indian business system. Globalization of economic, social and cultural structures has happened in all ages, the only difference is that earlier the pace of the process was slow and today with the introduction of information technology new methods of communication has made the world a much smaller place. Globalization has resulted in multinational companies setting up manufacturing plants all over the world which has positive effects. Various researchers have found in their research done in this context that India will have to focus on five important areas to make its economic condition more strong, these are Technical entrepreneurship, new business for small and medium enterprises, importance of quality management, new opportunities in rural areas and privatization of financial institutions.

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INNO SPACE
SJIF Scientific Journal Impact Factor
Impact Factor: 8.423



ISSN INTERNATIONAL
STANDARD
SERIAL
NUMBER
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