

# International Journal of Innovative Research in Science, Engineering and Technology

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## Globalisation and Economic Growth in India

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**ABSTRACT:** Globalisation is the process by which the world is becoming increasingly interconnected as a result of massively increased trade and cultural exchange. Globalisation has increased the production of goods and services. The biggest companies are no longer national firms but multinational corporations with subsidiaries in many countries.

Globalisation has been taking place for hundreds of years, but has sped up enormously over the last half-century.

Globalisation has resulted in:

- increased international trade
- a company operating in more than one country
- greater dependence on the global economy
- freer movement of capital, goods, and services
- recognition of companies such as McDonalds and Starbucks in LEDCs

Although globalisation is probably helping to create more wealth in developing countries - it is not helping to close the gap between the world's poorest countries and the world's richest.

The long-term growth perspective of the Indian economy remains positive due to its young population and corresponding low dependency ratio, healthy savings, and investment rates, increasing globalisation in India and integration into the global economy. The economy slowed in 2017, due to shocks of "demonetisation" in 2016 and the introduction of the Goods and Services Tax in 2017. Nearly 70% of India's GDP is driven by domestic private consumption. The country remains the world's sixth-largest consumer market. Apart from private consumption, India's GDP is also fueled by government spending, investment, and exports. In 2020, pandemic has affected trade and India was the world's 14th-largest importer and the 21st-largest exporter. India has been a member of the World Trade Organization since 1 January 1995. It ranks 63rd on the Ease of doing business index and 68th on the Global Competitiveness Report. With 500 million workers, the Indian labour force was the world's second-largest. India has one of the world's highest number of billionaires and extreme income inequality. Because of several exemptions, barely 2% of Indians pay income taxes.

**KEYWORDS:** globalization, Indian economy, growth, demonetization, taxes, goods, services, government

### I. INTRODUCTION

There are several key factors which have influenced the process of globalisation:

- **Improvements in transportation** - larger cargo ships mean that the cost of transporting goods between countries has decreased. Economies of scale mean the cost per item can reduce when operating on a larger scale. Transport improvements also mean that goods and people can travel more quickly.
- **Freedom of trade** - organisations like the World Trade Organisation (WTO) promote free trade between countries, which help to remove barriers between countries.

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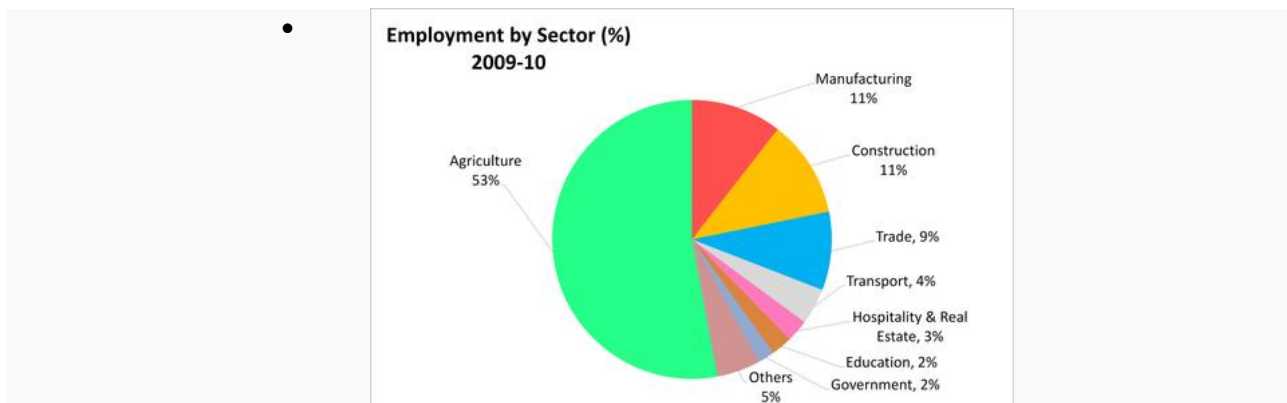
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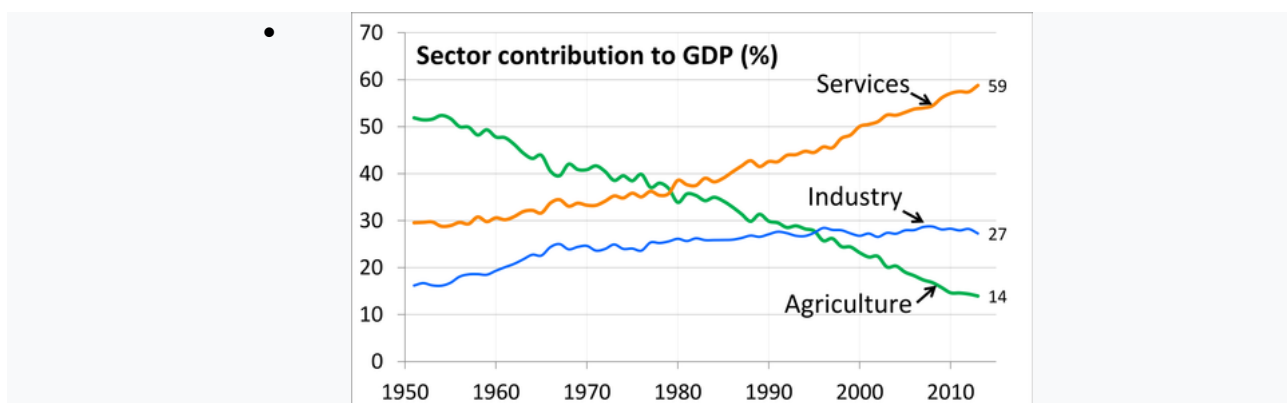
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- **Improvements of communications** - the internet and mobile technology have allowed greater communication between people in different countries.
- **Labour availability and skills** - countries such as India have lower labour costs (about a third of that of the UK) and also high skill levels. Labour intensive industries such as clothing can take advantage of cheaper labour costs and reduced legal restrictions in LEDCs.

Historically, India has classified and tracked its economy and GDP in three sectors: agriculture, industry, and services. Agriculture includes crops, horticulture, milk and animal husbandry, aquaculture, fishing, sericulture, aviculture, forestry, and related activities. Industry includes various manufacturing sub-sectors. India's definition of services sector includes its construction, retail, software, IT, communications, hospitality, infrastructure operations, education, healthcare, banking and insurance, and many other economic activities. [1,2]



Percent labour employment in India by economic sectors (2010).



Contribution to GDP of India by economic sectors of the Indian economy have evolved between 1951 and 2013, as its economy has diversified and developed.

## II. DISCUSSION

Globalisation has resulted in many businesses setting up or buying operations in other countries. When a foreign company invests in a country, perhaps by building a factory or a shop, this is called inward investment. Companies that operate in several countries are called multinational corporations (MNCs) or transnational corporations (TNCs). The US fast-food chain McDonald's is a large MNC - it has over 34,000 restaurants in 119 countries.

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The majority of TNCs come from MEDCs such as the US and UK. Many multinational corporations invest in other MEDCs. However, TNCs also invest in LEDCs - for example, the British DIY store B&Q now has stores in China.

Factors attracting TNCs to a country may include:

- cheap raw materials
- cheap labour supply
- good transport
- access to markets where the goods are sold
- friendly government policies

Agriculture and allied sectors like forestry, logging and fishing accounted for 17% of the GDP, the sector employed 49% of its total workforce in 2014. Agriculture accounted for 23% of GDP, and employed 59% of the country's total workforce in 2016.[3,4] As the Indian economy has diversified and grown, agriculture's contribution to GDP has steadily declined from 1951 to 2011, yet it is still the country's largest employment source and a significant piece of its overall socio-economic development. Crop-yield-per-unit-area of all crops has grown since 1950, due to the special emphasis placed on agriculture in the five-year plans and steady improvements in irrigation, technology, application of modern agricultural practices and provision of agricultural credit and subsidies since the Green Revolution in India. However, international comparisons reveal the average yield in India is generally 30% to 50% of the highest average yield in the world. The states of Uttar Pradesh, Punjab, Haryana, Madhya Pradesh, Andhra Pradesh, Telangana, Bihar, West Bengal, Gujarat and Maharashtra are key contributors to Indian agriculture.

India is the largest producer of milk, jute and pulses, and has the world's second-largest cattle population with 170 million animals in 2011. It is the second-largest producer of rice, wheat, sugarcane, cotton and groundnuts, as well as the second-largest fruit and vegetable producer, accounting for 10.9% and 8.6% of the world fruit and vegetable production, respectively. India is also the second-largest producer and the largest consumer of silk, producing 77,000 tons in 2005.

India is the largest exporter of cashew kernels and cashew nut shell liquid (CNSL). Foreign exchange earned by the country through the export of cashew kernels during 2011–12 reached ₹43.9 billion (equivalent to ₹70 billion or US\$920 million in 2020) based on statistics from the Cashew Export Promotion Council of India (CEPCI). 131,000 tonnes of kernels were exported during 2011–12.[5,6]



**The state of Punjab led India's Green Revolution and earned the distinction of being the country's bread basket.**

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## III. RESULTS

Globalisation is having a dramatic effect - for good or bad - on world economies and on people's lives.

Some of the positive impacts are:

- Inward investment by TNCs helps countries by providing new **jobs** and skills for local people.
- TNCs bring wealth and foreign currency to local economies when they buy local resources, products and services. The extra money created by this investment can be spent on education, health and infrastructure.
- The sharing of ideas, experiences and lifestyles of people and cultures. People can experience foods and other products not previously available in their countries.
- Globalisation increases awareness of events in faraway parts of the world. For example, the UK was quickly made aware of the 2004 tsunami and sent help rapidly in response.
- Globalisation may help to make people more aware of global issues such as deforestation and global warming and alert them to the need for sustainable development.

Since independence, India's balance of payments on its current account has been negative. Since economic liberalisation in the 1990s, precipitated by a balance-of-payment crisis, India's exports rose consistently, covering 80.3% of its imports in 2002–03, up from 66.2% in 1990–91.<sup>1</sup> However, the global economic slump followed by a general deceleration in world trade saw the exports as a percentage of imports drop to 61.4% in 2008–09. India's growing oil import bill is seen as the main driver behind the large current account deficit, which rose to \$118.7 billion, or 11.11% of GDP, in 2008–09. Between January and October 2010, India imported \$82.1 billion worth of crude oil. The Indian economy has run a trade deficit every year from 2002 to 2012, with a merchandise trade deficit of US\$189 billion in 2011–12. Its trade with China has the largest deficit, about \$31 billion in 2013. [7,8]



**Nuclear capable Agni-II ballistic missile. Since May 1998, India declared itself to be a full-fledged nuclear state.**

India's reliance on external assistance and concessional debt has decreased since liberalisation of the economy, and the debt service ratio decreased from 35.3% in 1990–91 to 4.4% in 2008–09. In India, external commercial borrowings (ECBs), or commercial loans from non-resident lenders, are being permitted by the government for providing an additional source of funds to Indian corporates. The Ministry of Finance monitors and regulates them through ECB policy guidelines issued by the Reserve Bank of India (RBI) under the Foreign Exchange Management Act of 1999. India's foreign exchange reserves have steadily risen from \$5.8 billion in March 1991 to ₹38,832.21 billion (US\$540 billion) in July 2020. In 2012, the United Kingdom announced an end to all financial aid to India, citing the growth and robustness of Indian economy.

India's current account deficit reached an all-time high in 2013. India has historically funded its current account deficit through borrowings by companies in the overseas markets or remittances by non-resident Indians and

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portfolio inflows. From April 2016 to January 2017, RBI data showed that, for the first time since 1991, India was funding its deficit through foreign direct investment inflows. The Economic Times noted that the development was "a sign of rising confidence among long-term investors in Prime Minister Narendra Modi's ability to strengthen the country's economic foundation for sustained growth".[9]



Hyderabad is a major IT services centre

## IV. CONCLUSION

India has made progress in increasing the primary education attendance rate and expanding literacy to approximately three-fourths of the population. India's literacy rate had grown from 52.2% in 1991 to 74.04% in 2011. The right to education at the elementary level has been made one of the fundamental rights under the eighty-sixth Amendment of 2002, and legislation has been enacted to further the objective of providing free education to all children. However, the literacy rate of 74% is lower than the worldwide average, and the country suffers from a high drop-out rate. Literacy rates and educational opportunities vary by region, gender, urban and rural areas, and among different social groups. The development of Indian security markets began with the launch of the Bombay Stock Exchange (BSE) in July 1875 and the Ahmedabad Stock exchange in 1894. Since then, 22 other exchanges have traded in Indian cities. In 2014, India's stock exchange market became the 10th largest in the world by market capitalisation, just above those of South Korea and Australia. India's two major stock exchanges, BSE and the National Stock Exchange of India, had a market capitalisation of US\$1.71 trillion and US\$1.68 trillion as of February 2015, according to the World Federation of Exchanges.[10]

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