

## **IMPACT OF GLOBALIZATION ON INDIAN MANUFACTURING INDUSTRY**

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### **ABSTRACT**

*The growing integration of the economies and societies around the whole world has been one of the most debated topic in the international economies today. The term Globalization has been associated with key areas of change, which have Led to market transformation of world order. Globalization means integrating the economy of India with the economy of the whole world. It implied the opening up of economy to foreign direct Investment and provide facilities to foreign companies to invest in India. This paper will give the overview of impact of globalization on manufacturing sector and the significant role played by new economic policy in promoting the Indian economy.*

**KEYWORDS:** *Globalization, Foreign Direct Investments, Economic Reforms, IMF, Economic Crisis.*

### **Introduction**

Today everyone is talking about Globalization, but everyone has their own different view on Globalization. For me, the concept of Globalization is to consider the whole world as a single market. The liberalization of the Indian Economy for the world is Globalization. This article studies the impact of globalization on India. The article describes the process of economic integration in India and the benefits that the economy received from it. There are a lot of benefits that derived for the integration of world economy with India, but there is a dark side of Globalization also. Globalization has been traveled long distance in India, so a need is arise to explore the Impact of Globalization on Indian economy.

### **Objectives**

- To understand the meaning of Globalization.
- To analyze the impact of Globalization on Indian Manufacturing Industry.
- To analyze the problems of manufacturing Industry.
- To estimate the future of Manufacturing in India.

### **Research Methodology of the Study**

Secondary Data is collected for the study. The data is collected from various journals, magazines, research papers, newspaper, and internet.

### **Meaning of Globalization**

Globalization is meant by the integration of the economy of the country with the economy of the whole world. Globalization is a process of economic interdependence of countries of the world by removing all the barriers for economic integration and act as like the whole world is a single market. The current wave of Globalization has been driven by the policy of opened economy. The product that is produced in one country is used by another country for raw material or for consumption purpose. A country having shortage of anything, now able to Import that thing from the world and similarly if a country with excess of anything can now export the thing. Globalization offers a bundle of opportunities

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for business to develop their trade in all over the world. It is like the movement of towards economic, Financial, Trade and communication integration of world. The International Monetary Fund (IMF) defines the four basic aspects of the Globalization: Trade & Transactions, Capital and Investment movement, migration and movement of goods and services, and the dissemination of knowledge. Globalizing process affects and also affected by business and work organization, economics, socio-cultural resources, and natural environment also. Globalization is sub divided into three major areas of Economic Globalization, cultural Globalization and Political Globalization.

#### **Globalization and India**

After independence India stuck to the socialistic Economic strategy. Our policies were influenced by the bad experience of colonial period. We had a policy of protectionism. Our economists had a strong emphasis on the policy of Import Substitution. The process of industrialization was under the monitoring of the Government of India. Our major industries like steel, our industries like steel, mining, machine tools, water, telecommunications, insurance, and electrical plants were effectively nationalized in the 1950s. There was License Raj in the Indian Economy in between 1947 to 1990. License required for opening, expanding or Diversifying and even on increasing our production capacity. A lot of rules and regulations have to be compiled before starting any industry. Approximately 80 agencies had to be satisfied before a firm could be granted a license to produce and the state would decide what was produced, how much was produced, at what price and what source of capital were to be used. The central pillars of the policy were Import Substitution, the belief that India needed to rely on the internal markets for development not international trade. That is the cause behind poor growth of industries in India. There was a serious need arise to change the system and its bad policies. Attempts were made to liberalize the economy in 1965 an 1980. The first attempt was reversed in 1967, and after it a stronger version of socialism was adopted. The second major attempt was taken in 1985 by the Prime Minister Rajeev Gandhi, nut this process come to end in 1987. In the 1980s the government of Rajeev Gandhi started light reforms. The government slightly reduced License Raj and also promoted the growth of the telecommunication and software industry. The economic reform of the 1991 is a very important landmark in the economic history of post-independence India. On that time India went through a severe economic crisis triggered by a serious balance of Payment situation. But fortunately this crisis was converted into an opportunity to introduce some basic structural changes in the economic policy of India. There was a urgent need to remove the rigidness from the economic planning. The new model of Economic Reforms is commonly known as LPG model or Liberalization, privatization and Globalization Model. The primary objective of this Model was to make the Indian Economy as the fastest economy of the world. Major steps taken as a part of LPG like Devaluation of Indian currency by 18-19 percent, disinvestment of public sectors into private sectors, dismantling of the industrial license regime, allowing foreign direct investment, opening of reserved categories for the participation of private sector, removal of MRTP, a wider range of financial sector reforms etc.

#### **Globalization & Manufacturing Sector**

The government of India has been implanting structural reforms from the year 1991. The policies have direct and indirect effect on the manufacturing sector. The process of Globalization brought the inflow of upgraded technology, inflow of huge capital. The production capacity of India was increased due to the capital investment and better technology. Globalization has imposed various challenges along with the huge opportunities for India. Before the year 1991, the Indian industries were protected from the foreign competition. The key strategy for developing the manufacturing sector in India was to give attention towards the development of the large and heavy industries with the help of proper planning by the central government of India. These strategies include Import substitution, price control, control and monitoring of private sector through the policy of license, control on the foreign Investment. Our economists had a firm believe that India can be a developed through Self-sufficiency model. The contribution of the manufacturing sector to GDP during 1950-51, was only 8.98 percent. By the year 1965-66, it had increased to 14.23 percent. In the year 1980 the contribution is 16.18 percent of total GDP. The excess control over the Indian industries was responsible to the poor growth of Indian Economy. The government of India has been implanting structural reforms from the year 1991. The policies have direct and indirect effect on the manufacturing sector. The process of Globalization brought the inflow of upgraded technology, inflow of huge capital. The production capacity of India was increased due to the capital investment and better technology.

India's manufacturing sector is undergoing a fundamental change from a protected environment to the environment of global competition. The key objective of the Industrial policy statement of 1991 was to

improve the growth of productivity in Indian industries, increase the employment opportunities. In the year 1998-99 the growth rate of manufacturing is approx 2.7 percent, which is further increase to 4.2 percent in the year 1999-2000, in 2001-02 the rate decline to 3.4 percent and further there was a growth to 6.1 percent in the year 2002-03. Currently India's manufacturing sector contributes approx 16 percent of GDP, and India's share in world manufacturing is only 1.8 percent. India is amongst one of the lowest labor costs per worker in Asian countries. India's manufacturing is lags behind due to various factors such as improper infrastructure facilities like water, electricity, transport, communication etc. excess imports is also a major factor for the poor growth of manufacturing sector in India. Manufacturing sector contribute not as the engine of growth for India but as a hurdle in the growth of Indian industries. India's service sector shows a tremendous growth after globalization, but manufacturing sector move on the path of decline. Globalization has imposed various challenges along with the huge opportunities for India. In the 1990s, due to opening up the Economy, our manufacturing sector has to face painful experiences. Some bad experiences like plant closures, sells offs and reallocation, retrenchments due to declining manufacturing, are become very common after Globalization. Increased import is a root cause of the decline manufacturing in India. The Indian manufactured goods are costlier in comparison to Indian Goods.

#### **Future of Manufacturing Sector in India**

Manufacturing sector has so many potential to emerge as the highest growing sector in India. To remove the hurdles in the way of growth of manufacturing in India, our honorable PM Mr. Narendra Modi had launched the "Make in India" initiative. The motive of this program is to place India on the position of manufacturing Hub in the world by the end of 2020. Under this the Government of India aims to increase to increase the share of the manufacturing sector to GDP to 25 percent by the end of 2022. There is also expecting to create 100 million jobs in manufacturing sector in India. With the help of the engine of "Make in India", India is moving on the path of becoming the hub for hi-tech manufacturing. The foreign direct investment in India's manufacturing sector grew by 82 percent. India has emerged as one of the most favorite destination for investment in manufacturing industry. The Indian Government makes several efforts to develop a suitable environment for the growth of manufacturing in India. The implementation of GST will also prove a milestone for making a common market.

#### **Conclusion**

The study described the process of integration and the benefit from integration to Indian economy. The paper also examined the features of Indian manufacturing in India before Globalization and after Globalization. The study finds that the performance of India is very positive due to the economic reforms. India is shining in approx every field, and holds a strong position in the world, but this is not enough for India. When we considered the global trend, the growth is comparatively low in contrast to other growing economies of the world like China, Korea, etc. The country's industrial framework began to be liberalized in 1980s but the process actually gains popularity and strong implementation from 1990s. India's manufacturing sector grew after 1990, but the growth process slow down after 1995-1996. Our service sector is far ahead from manufacturing sector. There is a serious need to improve our productivity and profits. We should remove the hurdles that are coming in the way of manufacturing. The Globalization gave a start to the process of growth but still we need more reforms like Make in India, to give a boost for our manufacturing sector.

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