

## WHAT DOES GLOBALIZATION MEAN IN INDIAN CONTEXT?

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### ABSTRACT

*The present paper deals with one of the most important aspects of Indian economy: Globalisation. The paper gives a comprehensive definition and meaning of globalisation. Further the Indian context of globalisation has been discussed in a detailed manner enabling the reader to know and understand the Indian perspective of globalisation. Paper is also concerned with explaining the effects of globalisation on India and Indian economy as a whole. Later the author has further classified these effects of globalisation in two parts: favourable and non favourable i.e. positive and negative. Positive aspects of globalisation includes Growth of GDP, Building foreign exchange reserves, Huge FDI inflows, Growth of outsourcing market, Market capitalisation, Growing number of billionaires in India. Whereas the negatives of globalisation counts agriculture taking back seat, increase in rural areas, increased sectoral disparity, uneven or unbalanced development and growth, rich becoming richer and poor becoming poorer, increased slum areas, higher dependence on MNCs. These are the major areas the paper is going to cover. The reader after reading the paper would be easily able to understand the meaning, definition and Indian aspect of globalisation along with its positive and negative effects on Indian economy.*

**KEYWORDS:** *FDI, Outsourcing, Foreign Exchange, Liberalisation and Devaluation.*

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### Introduction

Globalisation is the new buzzword that has come to dominate the world since the nineties of the twentieth century. Globalization may have many meanings depending upon the context and the person who is talking about. The term globalization refers to the integration of economies of the world through uninhibited trade and financial flows, as also through mutual exchange of technology and knowledge. Ideally, it also contains free inter-country movement of labour.

The term globalization means international integration. It includes an array of social, political and economic changes. The world is more interdependent now than ever before. MNCs manufacture products across many countries and sell to consumers across the globe. Money, technology and raw materials have broken the International barriers. Products, finances, ideas and cultures have crossed nations.

### Measures used to Globalise

- **Devaluation:** Devaluation was taken as the first step towards globalization. It was taken with the announcement of the devaluation of Indian currency by 18-19 percent against the major currencies in the international foreign exchange market. This measure was undertaken to cope with the BOP crisis prevailing at that time.
- **Disinvestment:** for making the process of globalization work properly, the policies of privatization and liberalization were also implemented. Following the privatization policies many public sector companies or undertakings were being sold into the private hands.

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- **Industrial Licensing policies made lenient:** At present, only six industries are under compulsory licensing mainly on accounting of environmental safety and strategic considerations. A significantly amended locational policy in tune with the liberalized licensing policy is in place.
- **Non Resident Indian Scheme:** The department of foreign investment has not only promoted foreign ownership but has also attracts non resident Indians by giving facilities for FDI. In addition to it, concessions have also been extended for NRIs and overseas corporate bodies having more than 60% stake through NRIs.
- **Industries opened for Private Participation:** The government has formed various policies by which the private sector has been facilitated by giving the private sector participation in the public sector. Now there are only three industries reserved for the public sector.
- **Abolition of the (MRTP) Act:** which necessitated prior approval for capacity expansion: The government for the promotion of globalization has abolished the control over the restricted areas of trade and its practices.
- **Removal of quantitative restrictions on imports:** The import system of any country is the key line for the development of any economic system and expansion of globalization and for this end the government has formulated policy by which the restrictions of quantitative import has been removed.
- **Wide-ranging financial sector reforms:** in the banking, capital markets, and insurance sectors, including the deregulation of interest rates, strong regulation and supervisory systems, and the introduction of foreign/private sector competition.

#### Impact of Globalization on Indian Economy

- **Favourable Aspects of Globalisation**
  - **Growth of GDP:** The globalisation has a positive impact on the growth of GDP in India resulting in an increase of GDP at a higher rate over the years. The GDP was 5.6% in 1980 to 1990 which increased to 7% in 1993 to 2001 and is expected to touch the mark of 10 % by the end of Eleventh Five Year Plan.
  - **Building Foreign Exchange Reserves:** The foreign exchange reserves (as at the end of the financial year) were \$ 39 billion (2000-01), \$ 107 billion (2003-04), \$ 145 billion (2005-06) and \$ 180 billion (in February 2007). It is expected that India will cross the \$ 200 billion mark soon.
  - **Huge FDI Inflows:** The FDI has also increased to a great extent in the last ten years and the sectors attracting highest FDI inflows are electrical equipments including computer software and electronics (18 per cent), service sector (13 per cent), telecommunications (10 per cent), transportation industry (nine per cent), etc. In the inflow of FDI, India has surpassed South Korea to become the fourth largest recipient.
  - **Growth of Outsourcing Market/ Industry:** Globalisation has also resulted in the development of outsourcing sector in India. India, at present controls 45 per cent of the global outsourcing market with an estimated income of about \$ 50 billion.
  - **Reduction in Poverty:** Globalisation has also boosted the private sector employment thereby reducing the poverty and has also reduced disparity over recent decades.
- **Negative Aspects of Globalisation**
  - **Ignorance of Agriculture:** Agriculture has been and still remains the backbone of the Indian economy. It plays a vital role not only in providing food and nutrition to the people, but also in the supply of raw material to industries and to export trade. In 1951, agriculture provided employment to 72 per cent of the population and contributed 59 per cent of the gross domestic product.
  - **Increasing Gap between Rich and Poor/ Increasing Disparities:** Globalisation has resulted into an increase in the gap between the rich and the poor since the globalization has only given opportunities to those sections of society which were already rich and has completely ignored the poor section making them even poorer.

- **Brain Drain:** As globalisation has opened the doors of international trade encouraging the talented and educated youth of India to move out of the country and search for opportunities in the outer world.
- **Growth of Unemployment and Poverty:** The proportion of the unemployed to the total labor force has been increasing from 2.62 per cent (1993-94) to 2.78 per cent (1999-2000) and 3.06 per cent (2004-05). In absolute figures, the number of unemployed had been in those years 9.02 million, 10.51 million and 13.10 million respectively.

### Conclusion

Globalization has been proved to be both a boon as well as a curse for the Indian economy. On the one hand it has reduced poverty but at the same time it has also increased the gap between the rich and the poor resulting in economic and regional disparity. It has also resulted into the closure of the domestic market but at the same time it has also opened various new avenues by attracting MNCs and giving to the unemployed Indian population. Therefore it is clear that where globalization has given many opportunities to India, it has also brought many threats with it. So we (India) need to capitalize on the positive aspects of globalization and should treat its negative aspects in a smarter manner because what globalization has given to India is much more than what it has taken.

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