

POST GLOBLISATION AND ITS IMPACT ON VARIOUS SECTOR OF INDIAN ECONOMY

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Abstract

This study focuses of post globalisation and its impact on various sector of Indian economy Globalisation is the process of integrating nations and peoples politically economically, and culturally into a larger community in this broad sense it is little different from internationalisation. Globalisation is a set of economics process in which production marketing and investment are integrated across the borders of nations. The purpose of globalisation is to increase continuously the rate of economic growth. It simply propagates the idea of growth maximization as a way out for maximization of materialisation process operationalizing itself through economic liberation and privatization promises a higher materialistic base for all open economies. But even after globalization, condition of agriculture has not improved. The share of agriculture in the GDP is only 17%. But seeing the positive effects of globalization, it can be said that very soon India will overcome these hurdles too and march strongly on its path of development in this context, globalisation trends to create challenges on a scale and scope speed unprecedented in world History. Particularly for developing countries, the challenges are increasingly complex to negotiate because they impact across the sectors and at many levels of society. The challenge for policy makers at the different levels of government is to articulate with the global economy so as to harness the potential benefits for national development .India, which is now the fourth largest economy in terms of purchasing power parity, may overtake Japan and become third major economic power within 10 years. To conclude we can say that the modernization that we see around us in our daily life is a contribution of Globalization. Globalization has both positive and as well as negative impacts on various sectors of Indian Economy. So Globalization has taken us a long way from 1991 which has resultant in the advancement our country.

Key Words: **development**, challenges, privatization, government, materialisation, maximization

Introduction

Globalization describes a process by which regional economies, societies, and cultures have become integrated through a global network of communication, transportation, and trade. The term is sometimes used to refer specifically to economic globalization: the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology. India had the distinction of being the world's largest economy in the beginning of Christian era, as it accounted for about 32.9% share of world GDP and about 17% of the world population. The goods produced in India had long been exported to far off destinations across the world. Therefore, the concept of globalisation is hardly new to India. Until the liberalisation of 1991, India was largely and intentionally isolated from the world markets, to protect its fledgling economy and to achieve self-reliance. Foreign trade was subject to import tariffs, export taxes and quantitative restrictions, while foreign direct investment was restricted by upper-limit equity participation, restrictions on technology transfer, export obligations and government approvals; these approvals were needed for nearly 60% of new FDI in the industrial sector. The restrictions ensured that FDI averaged only around \$200M annually between 1985 and 1991; a large percentage of the capital flows consisted of foreign aid, commercial borrowing and deposits of non-resident Indians.

Globalisation trends to create challenges on a scale and scope and speed unprecedented in World History. Particularly for developing countries, challenges are increasingly complex to negotiate because they impact across the sectors and at many levels of society. The challenge for policy makers at the different levels of government is to articulate with the global economy so as to harness the potential benefits for national development and minimize the negative effects as global trade system has led to increased. To accelerate growth of the economy, While the sector which has more spills over effects, backwards and forward linkage is needed. Sector imbibing with all these attributes not only succeed in the growth of the economy but also reduces the inequality and help in development. Thus the concept of welfare is reflected through the condition of less disparity However, the biggest task of IT sector in India is undoubtedly increasing growth .The benefits of the effects of globalization in the Indian Industry are that many foreign companies set up industries in India, especially in the pharmaceutical, BPO, petroleum, manufacturing, and chemical sectors and this helped to provide employment to many people in the country.

CONCEPTS

Globalisation

Globalization generally integrating economy of our nation with the world economy. The economic changes initiated have a dramatic effect on the overall growth of the economy. It also heralded the integration of the Indian economy into the global economy.

Post Globalisation

Globalisation is both an active process of corporate expansion across borders and a structure of cross border facilities and economic linkages that has been steadily growing and changing.

Important of Globalisation

The implications of globalisation for a national economy are many. Globalisation has intensified interdependence and competition between economies in the world market. This is reflected in Interdependence in regard to trading in goods and services and in movement of capital. As a result domestic economic developments are not determined entirely by domestic policies and market conditions. Rather, they are influenced by both domestic and international policies and economic conditions. It is thus clear that a globalising economy, while formulating and evaluating its domestic policy cannot afford to ignore the possible actions and reactions of policies and developments in the rest of the world. This constrained the policy option available to the government which implies loss of policy autonomy to some extent, in decision-making at the national level.

Review of Literature

Ayabs Ilnu (2007) highlighted on his book 'Globalization & its impact on Indian Economy: Developments and Challenges' that India gained highly from the LPG model as its GDP increased to 9.7% in 2007-2008. In respect of market capitalization, India ranks fourth in the world. But even after globalization, condition of agriculture has not improved. The share of agriculture in the GDP is only 17%. The number of landless families has increased and farmers are still committing suicide. But seeing the positive effects of globalization, it can be said that very soon India will overcome these hurdles too and march strongly on its path of development.

Jochimsen (2000) opined that global economy, but the agreements of the global economy could not be seen as just a group of bureaucrats and trade negotiators who are removed from the interests of the majority of the population. The common goal should aim to create a global market economy that is viable in its social, economic and environmental consequences and in which players can compete effectively in clean and free markets through trade, capital, technologies, intellectual property, and currency. In fact, the existing models of national development are dysfunctional given the new challenges posed by economic globalization processes, which are transforming the various economic, political, social and cultural aims. In contrast with predictions that emerged from the theory of dependence, which argued that dependent countries must gain, at least partially, some independence from the world economy, the priority for less developed countries is their integration into productive chains and global financial circles to avoid economic and political marginalization.

Kunal Badade, P.N. Sagar (2004) assesses the impact of Globalization on Indian Small Scale Industries” that, the process of globalization may be implemented gradually by the Indian government for the sake of the small scale sector. Small scale industrial sector should be given enough time to change, to reform and to improve by them. To safeguard the interest of the small scale industries, Indian along with other development countries, should also convince the WTO insisting the need for retention of quantitative restrictions and other trade barriers for import of goods for some more time. Such measures and supports on the part of the government are required for small scale industries to ensure their continuous existence and their prosperous development

Vivek Sharma, Neeta Anand (2007) in their study ‘Globalization and impact on the Indian economy’ come on their findings and state under the head ‘effects on Indian industries’, the process of globalization in India has led to an unequal competition in the industrial sector. Multinationals are big giants and Indian industries are small. They both cannot compete with each other. Even the large Indian enterprises are just pygmies compared to the multinational corporations. Indian industries have been merged with multinational companies. Some others are awaiting their turn with bated beat. Small scale industries cannot survive in the era of globalization.

Objectives

- To study the various sector of Indian Economy
- To assess the impact of globalization on the development of Indian agricultural industries, trade, labour and environment
- To revealed the impact of globalisation on science and technology.
- To suggest to measure of future benefit of globalisation

Various sectors of Indian Economy:

Agriculture: India is an agrarian economy as agriculture is the primary source of living for over 55% of the population. In addition to this, agriculture also provides wage goods and raw materials for various non-agriculture sectors and industry. It is blessed with natural endowments of 23 agro-climatic zones and huge diversification of crops. Globalisation has touched every aspect of agriculture like technological advancement, improved production techniques and quality based enhancement. All three sectors of agriculture viz. farming, marketing and industrial support have made tremendous progress.

In farming, globalisation has introduced complete mechanisation of the farms. Many new techniques are being used for seed development and production. Introduction of organic and hybrid varieties of seeds has revitalised the entire sector. Furthermore, new irrigation methods and techniques have also been used. **In marketing** of the produce, globalisation has helped farmers fetch new markets. This has given a boost to the agricultural exports. Introduction of big retailers from abroad to India has also come in favour of the farmers who work hard to feed the nation. They offer them good procurement price and a continuous market for the produce. Also, e-commerce has helped in the post production activities like selling. **Industrial development** also is a direct by-product of globalisation as it has led to highly sophisticated farm machinery, fertilizer etc. Also, there is a growth in food processing industry due to increased consumerism. On the other hand, there are issues like GM crops, competition in pricing, WTO compliance issues which limits the support the governments can extend to farmers etc. Relaxation of import duties has also harmed the Indian farmer.

Globalisation and performance of agriculture and allied sectors

Globalisation plays an effective role in reforming agriculture and allied sectors. It is the back bone of the economic system more than 67% Of the working population is engaged directly and indirectly in agriculture. Indian farm sector, on one side is globalisation had led to declining share of agricultural exports in total exports. Subsidies have been withdrawn. In the case of agricultural exports no subsidies were offered in India. But developed countries have been providing higher level of subsidies... The quantitative restriction on imports has been withdrawn. So globalisation of international trade has proved to be beneficial to the developed nations rather than developing countries. Therefore to protect the Indian agriculture, the Indian agricultural policy needs to be built up with adequate safety-nets. Despite the fall in the share of agricultural and allied products in total exports. India has taken several measures to improve the exports of agricultural and allied sectors.

Impact of Globalisation on Agricultural Sector

Agricultural Sector is the mainstay of the rural Indian economy around which socio-economic privileges and deprivations revolve and any change in its structure is likely to have a corresponding impact on the existing pattern of Social equity. The liberalization of India's economy was adopted by India in 1991. Facing a severe economic crisis, India approached the IMF for a loan, and the IMF granted what is called a 'structural adjustment' loan, which is a loan with certain conditions attached which relate to a structural change in the economy. Essentially, the reforms sought to gradually phase out government control of the market (liberalization), privatize public sector organizations (privatization), and reduce export subsidies and import barriers to enable free trade (globalization). Globalization has helped in Raising living standard Alleviating poverty, Assuring food security. Generating buoyant market for expansion of industry and services and marking substantial contribution to the national growth

Globalisation and Indian Industry

Indian industry faces increase competition from foreign goods. Confederation of Indian industry, the apex body expressed its disapproval against duty free status of capital goods sector. Not only the entire manufacturing industry is faced with crises, even machine tools industry and boiler producers are put at a serious disadvantage. As result many industrial units are being closed and cheap imports have become an important cause of recession in Indian Industry.

Table-1

Merchandise exports of selected countries of the world exports

Country	2005	2006
Indian	17,975	36,560
China	62,091	1,95,150
South Korea	65,046	1,44,745
Mexico	40,7111	1,36,703
World exports	33,28,357	54,42,226

Source: Secondary Data

Merchandise exports of selected countries of the world exports (figure-2)

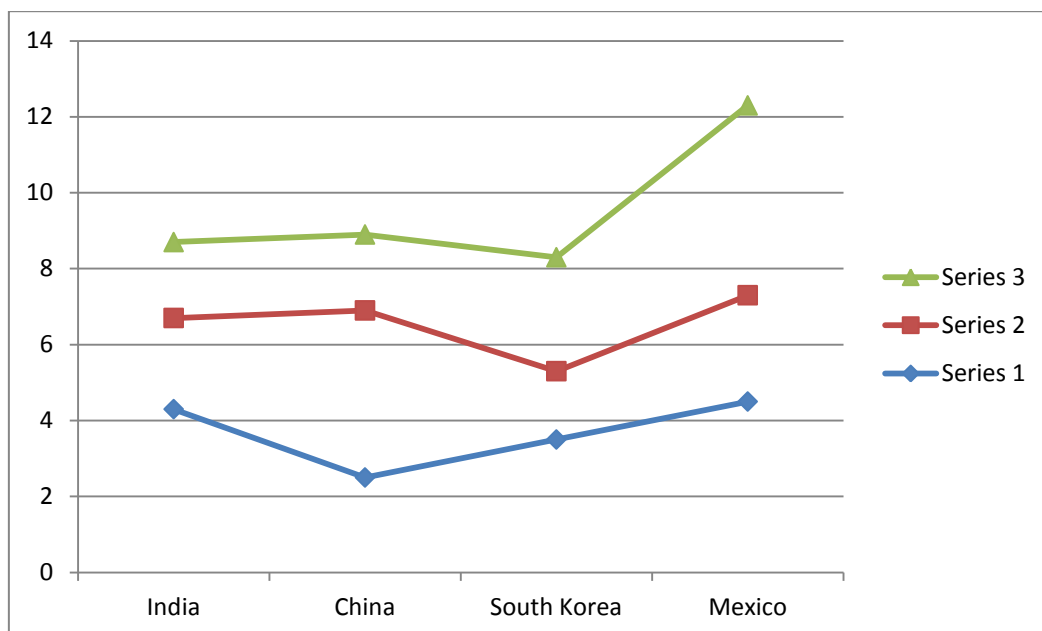


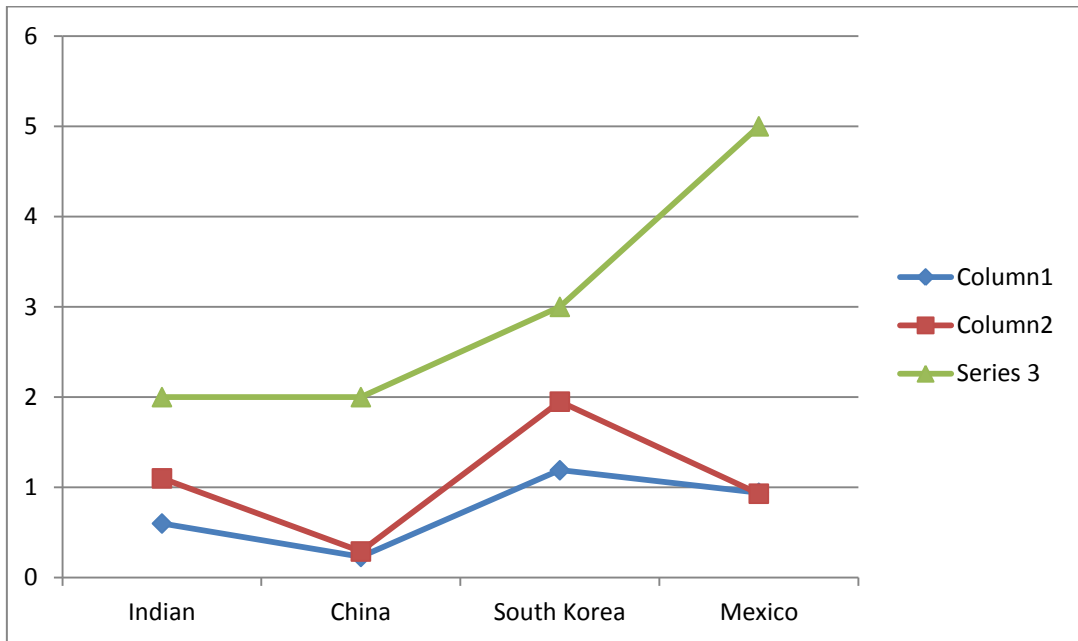
Table-2

Service exports of selected countries of the world exports in U\$ in million

Country	2005	%	2006	%
Indian	4609	0.60	13940	1.1
China	1786	0.23	3701	0.29
South Korea	9155	1.19	24822	1.95
Mexico	7222	0.94	11829	0.93
World exports	766353	100.0	1271417	100

Source: Secondary Data

**Service exports of selected countries of the world exports in U\$ in million
(Figure-2)**



Impact of Globalisation on Industrial Sector

The last decade has been highly pressurising for the world economy. Many nations could not recover completely from the 2008 financial downturn. However, India managed to register growth when other nations were falling apart. This sent positive signals to the world about the robustness of the economic framework in India. As a result investor confidence was sky-high. The country provided promising future for both domestic and foreign investors. Entrepreneurial ventures also started booming on home front. Indians were more aware of the global business ethics and therefore contributed immensely as human capital to the foreign firms. Moreover India is demographically a young country which is another major attraction for firms to invest in India. Furthermore, there is an apparent trend towards rapid urbanisation and many government-aided schemes to help people gain required skills to be able to become more employable.

- It has become possible for the present-day government to start schemes like Make in India, Skill India, and Digital India as government has relaxed many norms for doing work.
- Many Indian industries have invested abroad and have entered into various kinds of agreements like joint ventures or mergers and acquisitions etc. This has raised their global competitiveness.
- Relaxation of investment norms and licences has attracted huge amounts of foreign investment especially in services, telecommunications, electrical equipment's etc.
- The export-orientation is also increasing by setting up of various Special Economic Zones. These have made international presence felt through the route of mergers and acquisitions.

- The government is giving a lot of impetus to the small scale industrial sector. There is abundant availability of loans, microfinance and even other forms of easy credit. This has made them grow into medium scale operations.
- On the contrary, opening of some sectors to foreign investment led to the exploitation of their resources by the MNCs. Also, MNCs resort to less sophisticated technology in their Indian subsidiaries.
- The entry of MNCs has added to competition in the market and has led to excessive pressure on domestic companies to both raise quality and productivity to ensure survival.

Also the benefit of the Effects of Globalization on Indian Industry are that the foreign companies brought in highly advanced technology with them and this helped to make the Indian Industry more technologically advanced .

Globalization means the dismantling of trade barriers between nations and the integration of the nations' economies through financial flow, trade in goods and services, and corporate investments between nations. Globalization has increased across the world in recent years due to the fast progress that has been made in the field of technology especially in communications and transport. The government of India made changes in its economic policy in 1991 by which it allowed direct foreign investments in the country.

Impact on Banking

Financial sector reforms have been a major driver of Indian economic liberalisation.

- Globalisation has opened door to foreign investors to enter the domestic market. This has led to more competition as innovation has become the new norm. Due to rise in awareness people have also become less averse to the industry.
- The domestic financial intermediaries have taken on more risk-intensive roles to ensure survival in this highly competitive age.
- The industry has been transformed from a conservative outlook to a highly dynamic one as many new regulatory bodies and financial institutions have come up.
- The whole industry is undergoing an apparent transition due to large-scale market shifts, competition and technological developments.
- Banking structures and products have become more streamlined and efficient. A new work culture ethic has been embraced even by the domestic banks to live up to the sophistication of procedures presented by the foreign banks.

Globalisation and Tourism Services

India's cultural heritage and glorious tradition makes the way for the development of tourism. Tourism represents a powerful force for the improved relations among people and nations of the world. Today tourism is not only the practice of travelling and visiting places for pleasure and relations. Employment generating from the development of tourism includes infrastructure facilities such as roads airports, railways communication. Thus globalisation promotes tourism services. But global slowdown hits tourism industry in Kerala and Karnataka. Tourist's inflow into Karnataka has plummeted during 2008, leaving the entire industry in straits of tourists visiting Karnataka .fallen by 70% from about 64 lakhs tourists visited.

Impact on Export and Import

India's Export and Import in the year 2001-02 was to the extent of 32,572 and 38,362 million respectively. Many Indian companies have started becoming respectable players in the International scene. Agriculture exports account for about 13 to 18% of total annual of annual export of the country. In 2000-01 Agricultural products valued at more than US \$ 6million were exported from the country 23% of which was contributed by the marine products alone. Marine products in recent years have emerged as the single largest contributor to the total agricultural export from the country accounting for over one fifth of the total agricultural exports. Cereals (mostly basmati rice and non-basmati rice), oil seeds, tea and coffee are the other prominent products each of which accounts for nearly 5 to 10% of the country's total agricultural exports.

Impact on Financial Sector

Reforms of the financial sector constitute the most important component of India's programme towards economic liberalization. The emergences of various financial institutions and regulatory bodies have transformed the financial services sector from being a conservative industry to a very dynamic one. In this process this sector is facing a number of challenges. In this changed context, the financial services industry in India has to play a very positive and dynamic role in the years to come by offering many innovative products to suit the varied requirements of the millions of prospective investors spread throughout the country. Reforms of the financial sector constitute the most important component of India's programme towards economic liberalization. The momentum has been maintained with a growth of 11.1% in 2006-07. Because of Globalization, the financial services industry is in a period of transition. Market shifts, competition, and technological developments are ushering in unprecedented changes in the global financial services industry.

Globalisation and trade Sector

Emergence of worldwide production markets and broader access to a range of foreign products for consumers and companies, particularly movement of material and goods between with national boundaries. International trade in manufactured goods increased more than 100 times (from ₹95 billion to ₹12 trillion) in the 50 years since 1955. China's trade with Africa rose sevenfold during 2000-07 alone. India's agricultural exports responded positively to trade liberalisation that begun in 1991. However the rising export trend could not be sustained in the post globalisation period... This has raised serious concerns about implication of trade liberalisations. While developing countries gained small increase in market access to developed countries, compared to other developing countries India's export performance has not been satisfactory.

Impact of globalisation in science and technology

We are in the 21st century with access to knowledge from all over the world with best technology a free independent and thriving democracy that can cross cultural marriages with advent of internet. Production of knowledge at a global level now has unlimited possibilities for communication, collaboration and capabilities of inventions, globalisation lead to fusion of scientific data potential threat if there is cheaper import than local production whereby it will kill industries in developing world.

Globalisation and IT sector

Globalization in the field of IT has brought the world a smaller place with a new world reaching new heights, integrating in all fields to create a coherent network. Indian software industry earns a lot of foreign exchange. The share of IT software and services has been % of the GDP in 2004-05. The experts of both increased tremendously over the last decade. Arguably this is a technological change with the advent of fibre optic communication, satellites and increased availability of telephone and internet. Globalisation has significantly impacted women's IT work in developing countries. This impact is creating jobs for them in the service industries, information processing fields, banking, insurance, publishing etc.

Advantages of Globalisation

- ❖ There is an International market for companies and for consumers there is a wider range of product to choose from.
- ❖ Increase in flow of investment from developed countries to developing countries, which can be used for economic reconstruction.
- ❖ Greater and faster flow of information between countries and greater cultural interaction has helped to overcome cultural barriers.
- ❖ Technological development has resulted in reverse brain in developing countries

Challenges

The outsourcing of jobs to developing countries has resulted in loss of jobs in developed countries.

- There is greater threat of spread of communicable diseases
- There is an underlying threat of multinational corporations with immense power ruling the globe.
- For smaller developing nations at the receiving end, it could indirectly lead to a subtle form of colonization.
- The number of rural landless families increased from 35 %in 1987 to 45 % in 1999, further to 55% in 2005. The farmers are destined to die of starvation or suicide.
- Inflexible labour and product markets in the euro area and Japan
- Corporate and financial sector weaknesses in much of emerging Asia;
- Unfavourable investment climates in Latin American countries;

Weak banking supervision systems in central and Eastern Europe; and • For the Middle East, a need to greater develop institutional infrastructure for non-oil sector development. Some of the most heated arguments in public discourse these days revolve around whether or not the role of government has become overly pronounced in the functioning of the global economy (Sull, 2009).

New Economics Policy

After suffering a huge financial and economic crisis Dr. Man Mohan Singh brought a new policy which is known as Liberalization, Privatization and Globalization Policy (LPG Policy) also known as New Economic Policy, 1991 as it was a measure to come out of the crisis that was going on at that time. The following measures were taken to liberalize and globalize the economy.

- **Devaluation:** To solve the balance of payment problem Indian currency were devaluated by 18 to19%
- **Disinvestment:** To make the LPG model smooth many of the public sectors were sold to the private sector.
- **Allowing Foreign Direct Investment (FDI):** FDI was allowed in a wide range of sectors such as Insurance defence industries (26%) etc.

- **NRI Scheme:** The facilities which were available to foreign investors were also given to NRIs.

The New Economic Policy (NEP-1991) introduced changes in the areas of trade policies, monetary & financial policies, fiscal & budgetary policies, and pricing & institutional reforms. The salient features of NEP-1991 are (i) liberalization (internal and external), (ii) extending privatization, (iii) redirecting scarce Public Sector Resources to Areas where the private sector is unlikely to enter, (iv) globalization of economy, and (v) market friendly state.

Benefits and future of globalization

❖ Experts generally acknowledge globalization brings both benefits and risks, which must be managed. More tightly integrated global economic markets, for instance, carry greater potentials for global recessions if countries are not able to work together to implement effective economic policies that reduce that risk.

❖ Experts additionally acknowledge the future of globalization is unknown. They note the rapid pace of globalization in the early 21st century could be slowed or even reversed by potentially rising levels of protectionism happening in a number of countries.

Conclusion:

India gained highly from the LPG model as its GDP increased to 9.7% in 2007-2008. In respect of market capitalization, India ranks fourth in the world. But even after globalization, condition of agriculture has not improved. The share of agriculture in the GDP is only 17%. But seeing the positive effects of globalization, it can be said that very soon India will overcome these hurdles too and march strongly on its path of development. The lesson of recent experience is that a country must carefully choose a combination of policies that best enables it to take the opportunity while avoiding the pitfalls. For over a century the United States has been the largest economy in the world but major developments have taken place in the world Economics experts and various studies conducted across the globe envisage India and China to rule the world in the 21st century. India, which is now the fourth largest economy in terms of purchasing power parity, may overtake Japan and become third major economic power within 10 years. To conclude we can say that the modernization that we see around us in our daily life is a contribution of Globalization. Globalization has both positive and as well as negative impacts on various sectors of Indian Economy. The need of the hour is the injection of demand through direct fiscal and monetary action by government across the world.

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