

## Globalization of Indian Economy prospects and challenges

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### Abstract

Globalization has opened up new and huge open doors of opportunities. To gather the advantages of globalization, India presented monetary strategy changes and incorporated its economy to the universal economy since the Virus War end. It has brought extensive ramifications on India's financial, exchange and speculation relations with the nations of the world. India's financial accomplishment in the course of the most recent two decades has pulled in the consideration of other territorial and worldwide forces for nearer participation with India. The paper looks to examine the ramifications of globalization to the Indian economy in the post-cold war period. It initially talks about the idea of globalization and its central highlights. It additionally looks at the execution of the Indian economy since the entry of globalization in India.

**Keywords:** India, Globalization, Financial Progression, Globalisation of Economy. Economic Liberalization, International Economy.

### Introduction

Globalization has opened up new and colossal open doors for overall designers. Affected by the procedure of globalization, India in 1991 presented monetary strategy changes and coordinated its economy to the worldwide economy. Globalization in India arrived just before the finish of the virus war. India presented changes in modern and exchange strategies to enhance its proficiency, profitability and aggressiveness of its economy. In addition, it additionally gotten changes mechanical authorizing, remote joint efforts, speculation by NRIs, portfolio venture by outside institutional speculation, decrease in duty rate and disentanglement of fare import methods, opening of the IT-division, lessening open consumption speculation standards to draw in inflow of capital from both the residential and remote endeavours in areas like keeping money, protection, retailing etc.

From that point forward India's financial execution has seen perspective change from low development to high development direction bringing about an expansion in residential investment funds. Indian economy has turned out to be progressively open and picked up intensity on the planet monetary situation. It could keep up a yearly normal development rate between five to seven percent. Given the present development rate, it is being anticipated that

before the second's over many years of the twenty-first century, India would turn into the third biggest financial power behind the Unified States and China.

Globalization has broad ramifications on India's financial, exchange and venture relations with the nations of the world. India's financial accomplishment throughout the most recent two decades has pulled in the consideration of other provincial and worldwide forces for nearer participation with India. Henry Kissinger predicts that in the twenty-first century, the universal framework will be ruled by six noteworthy forces: the U.S., Europe, China, Japan, Russia and most likely India. This is trailed by the pickle of Mr. Samuel Huntington that amid the coming decades, "India could move into quick monetary improvement and develop as a noteworthy contender for impact in world issues." India's Net National Item (GNP) of \$2.14 trillion in Buying power equality (PPP) terms is bigger than that of three P-5 nations, for example, Russia, France and Germany. Thusly, in PPP terms, India's economy is more than twice that of Russia.

Globalization is an extremely regular subject of talk and examination nowadays. The procedure of globalization is prevalently portrayed as a slow expulsion of boundaries to exchange and investment among nations.(Mehta and Purohit 2001). Globalization comprehensively implies completely free financial tasks over the outskirts of nations, with no impediment is by administrations of nations. Furthermore, we can likewise say that the term of globalization implies Universal Integration. Globalisation has been ruling the world since the nineties of the only remaining century. Till 90s the procedure of globalization of the Indian economy was obliged by the boundaries of exchange and venture. Advancement of exchanges, venture and budgetary streams started in the nineties has dynamically brought down the boundaries to rivalry and hurried the pace of globalization. The rush of globalization hit India toward the finish of the only remaining century and still the nation is streaming with the current of worldwide changes .Indian economy had encountered real approach changes in mid 1990s. The new financial change, prevalently known as, Advancement, Privatization and Globalization (LPG show) went for making the Indian economy as quickest developing economy and all inclusive focused. This paper endeavours to toss light on the effect of globalization on India's worldwide exchange and economy.

### **Review of literature**

Globalization is the subject of fascination for quite a while. The influx of globalization showed up on India's shores just in 1991, a lot after China's and some other Southeast Asian nations. The different research focuses, exchange boards of trustees, financial expert and media are offering significance to globalization and its effect on Indian economy persistently. We incorporate some huge examinations have been taken up with the end goal of writing survey that are most pertinent for our investigation.

Singh (2012) in his paper "Globalization and Its Effect on Indian Economy"examines the change history in Indian economy beginning from the pre-English time to exhibit phase of Progression, Privatization and Globalization. In his paper he found that India needs to

dispatch a 'second era' of monetary changes, with an increasingly human face, the changes must be founded on the long haul vision of changing India into a worldwide financial power in the following twenty to a quarter century. Sharma (2009) in his book "China and India in the Time of globalization" investigated how the interaction of socio, recorded, political and monetary powers has changed, India and China, when poor agrarian social orders into financial powerhouse. In this book he inspected the difficulties that the two nations confront and what each must do to strike the harmony between procuring openings and relieving dangers.

Pillania (2008) in his investigation "An Exploratory investigation of Indian Outside Exchange" thinks about different parts of Indian remote exchange since 1949. He found that Indian remote exchange has advanced much in the course of the most recent a long time since autonomy and India lost its piece of the pie to different nations in 1960s. The circumstance enhanced in 1970s and fares have at last gotten in post advancement time by and large and after 2002 specifically. Singh (2007) in his investigation "Globalization, Modern Insurgencies in India and China and Work Markets in Cutting edge Nations: Suggestions for National and Worldwide Financial Policy" examines the effect on work showcases in cutting edge nations of the reconciliation of the quick - developing nations, China and India. After his examination he recommends that globalization has a little generally speaking impact on yield and work in cutting edge nations. The paper reasons that present globalization can't meet these twin destinations and that coordination and collaboration between country states under elective globalization are much the better way, if not by any means the only method for understanding these goals. Goyal (2006) in his paper "Effect of Globalization on creating Nations (with uncommon reference to India)" investigates the shapes of the on-going procedure of globalization Advancement and privatization. All through this paper, there is a basic spotlight on the effect of LPG on Indian economy.

Different studies have been made to investigate distinctive parts of Indian outside exchange, however little has been done to think about the effect of globalization on Indian remote exchange. Thus, present investigation proposes to contemplate the impact of globalization, on India alongside other immaculate parts of the Indian outside exchange.

### **Research Methodology**

The present examination will be founded on optional information. Information and data will be gotten from distributed papers, books, periodical, diaries, web sites and authority sources like RBI Yearly report, Month to month measurements of Outside Exchange of India-DGCI &S, Govt of India, Place for Observing Indian Economy (CMIE) and National insights of China, China's factual year book. The base time of proposed study will be restricted to ten years previously globalization (1981-1990), after globalization (1991-2000, 2001-2010). Critical and significant factual instruments will be utilized to break down the information.

### **Significant Strides towards Globalization**

Indian economy was in profound emergency in July 1991, when remote money holds had dove to nearly \$1 billion; Expansion had thundered to a yearly rate of 17 percent; monetary

deficiency was high and had turned out to be unsustainable; outside speculators and NRIs had lost trust in Indian Economy. Capital was flying out of the nation and we were near defaulting on advances. Alongside these bottlenecks at home, numerous unforeseeable changes cleared the economies of countries in Western and Eastern Europe, South East Asia, Latin America and somewhere else, around a similar time. These were the monetary impulses at home and abroad that required an entire upgrading of our financial approaches and projects. Significant measures started as a piece of the progression and globalization technique in the mid nineties incorporated the accompanying:

- 1.) Devaluation: To take care of the equalization of installment issue Indian cash were devaluated by 18 to 19%.
- 2) Disinvestment: To make the LPG show smooth cash of the general population areas were sold to the private segment.
- 3) Allowing (FDI): FDI was permitted in a wide range parts, for example, Protection (26%) and so forth.
- 4) NRI Plan: The offices which were accessible to outside financial specialists were likewise given to NRIs.
- 5) Throwing open ventures held for people in general area to private interest. Presently there are just three ventures held for general society.
- 6) Abolition of the (MRTP) Act, which necessitated prior approval for capacity expansion.
- 7 ) 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.
- 8) The series of reforms undertaken with respect to industrial sector, trade as well as financial sector aimed at making the economy more efficient.

#### **Merits of Globalization:**

- (1.) The development rate of Gross domestic product of India has been on the expansion from 5.6 percent during 1980-90 to 7 percent in the time of 1993-2001. Over the most recent fifteen years with the exception of a few years, rate of Gross domestic product development was in excess of 7 percent. It was 9.2 percent in 2006-07. At present in 2016 Gross domestic product is developing at 7.4 percent appeared association spending plan 2016-17.
- (2) The remote trade holds were \$39 billion (2000-01), \$107 billion (2003-04), \$145 billion (2005-06), and \$180 billion out of 2007. As indicated by save bank of India, India's remote trade saves are \$351.83 billion as on 19 Feb, 2016.
- ( 3) The combined FDI inflows from 1991 to 2006 were Rs. 81566 crore (\$43.29 billion). The areas drawing in most elevated FDI inflows are electrical gear including PC

programming (18 percent), Service Sector (13percent), Media communications (10 percent), and Transportation industry (9 percent) and so forth.

(4) In 2010 India's offer was 55 percent in Worldwide Redistributing market.

(5) India's position was fourth in market capitalization in 2005, it was gone before by USA, Germany and China. Be that as it may, at present its rank is ninth, it implies it is currently gone before by eight nations and India's position has intensified however India could join trillion dollar advertise by experiencing all high points and low points. India's market capital is \$1.6 trillion and it is 2.5 percent of world's capital market. As per the Forbes list 2015, India has 100 extremely rich people. There were just 40 tycoons in India according to forbes 2007 rundown. The advantages of these billionaires are more than aggregate interest in the 91 open segment endeavours by the focal legislature of India.

### **Challenges of Globalization**

- 1) The redistributing of employments to creating nations has brought about loss of occupations in created nations.
- 2) There is a more prominent danger of spread of transferable sicknesses.
- 3) There is a basic danger of worldwide enterprises with gigantic power controlling the globe.
- 4) For littler creating countries at the less than desirable end, it could by implication lead to an unobtrusive type of colonization.
- 5) The number of rustic landless families expanded from 35 %in 1987 to 45 % in 1999, further to 55% in 2005. The agriculturists are bound to pass on of starvation or suicide.

On the opposite side of the award, there is a considerable rundown of the most exceedingly bad of the occasions, the preeminent loss being the agribusiness area. Farming has been and still remains the foundation of the Indian economy. It assumes an imperative job not just in giving sustenance and nourishment to the general population, yet additionally in the supply of crude material to enterprises and to send out exchange. In 1951, farming gave work to 72 percent of the populace and contributed 59 percent of the total national output. Be that as it may, by 2001 the populace relying on agribusiness came to 58 percent while the offer of farming in the Gross domestic product went down definitely to 24 percent and further to 22 percent in 2006-07. This has brought about a bringing down the per capita pay of the ranchers and expanding the provincial obligation.

The rural development of 3.2 percent saw from 1980 to 1997 decelerated to two percent hence. The Way to deal with the Eleventh Multi Year Plan discharged in December 2006 expressed that the development rate of rural Gross domestic product including ranger service and angling is probably going to be beneath two percent in the Tenth Arrangement time frame. The explanations behind the deceleration of the development of agribusiness are given in the Financial Review 2006-07: Low venture, awkwardness in manure use, low seeds

substitution rate, a twisted motivating force framework and low post-gather esteem expansion kept on being a delay the parts execution. With the greater part the populace specifically relying upon this division, low rural development has genuine ramifications for the comprehensiveness of development.

The quantity of provincial landless families expanded from 35 percent in 1987 to 45 percent in 1999, further to 55 percent in 2005. The ranchers are bound to bite the dust of starvation or suicide. Answering to the Brief Span Discourse on Import of Wheat and Agrarian Pain on May 18, 2006, Agribusiness Pastor Sharad Pawar educated the Rajya Sabha that around 1, 00,000 ranchers submitted suicide amid the period 1993-2003 primarily because of obligation. In his meeting to The Indian Express on November 15, 2005, Sharad Pawar stated: The cultivating network has been overlooked in this nation and particularly so in the course of the last eight to ten years. The all out interest in the agribusiness division is going down. Over the most recent couple of years, the normal budgetary arrangement from the Indian Government for water system is under 0.35 percent.

Amid the post-change period, India has been sparkling splendidly with a developing number of extremely rich people. No one has observed the sufferings of the relatives of those lamentable hundred thousand agriculturists. Further, the extent of individuals depending in India on farming is around 60 % while the equivalent for the UK is 2 %, USA 2 % and Japan 3 %. The created nations, having a low extent of populace in agribusiness, have promptly embraced globalization which supports more the development of the assembling and administration areas.

About the situation of agribusiness in creating nations, Nobel Prize-winning market analyst Joseph Stiglitz stated: Exchange understandings presently deny most endowments excepted for agrarian products. This discourages livelihoods of those agriculturists in the creating nations who don't get endowments. What's more, since 70 percent of those in the creating nations depend straightforwardly or in a roundabout way on farming, this implies the wages of the creating nations are discouraged. Be that as it may, by whatever standard one uses, today's global exchanging routine is out of line to creating nations. He additionally called attention to: The normal European dairy animals gets an endowment of \$ 2 per day (the World Bank proportion of destitution); the greater part the general population in the creating scene live on not as much as that. It gives the idea that it is smarter to be a bovine in Europe than to be a needy individual in a creating nation.

### **Measures taken to Enhance Indian Economy**

As of late, remembering the difficulties confronting our nation and in an offer to recover our economy, the Administration reacted by giving three centered monetary improvement bundles as assessment help to support request and expanded consumption on open ventures to make business and open resources. The Reserve Bank of India (RBI) took various money related

facilitating and liquidity improving measures to encourage stream of assets from the budgetary framework to address the issues of gainful sectors.<sup>15</sup> additionally, different advances are likewise accepted, for example,

- a. Hike in Diesel costs.
- b. Limit on LPG sponsorship.
- c. Opening up a few different zones for speculation. This incorporates – FDI in single-mark retail, multi-mark retail, communicating, avionics and annuity and protection.
- d. Amendments to Organizations Bill, 2011 in order to have present day enactment for development and direction of corporate division in the nation.
- e. Reduction on retention Tax.

### **Conclusion:**

Based on above examination we can say that globalization is certainly not a free lunch as an outward looking. It is a blended sack of progress and disappointments. Having experienced positive and negative impact of globalization of we can say that it isn't similarly useful for all nations of the world. So we require an arrangement of globalization which is useful, makes openings with the target of development, business and value and raise the welfare surprisingly all through the world. Government ought to receive measures to guarantee reasonable globalization strategy.

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