



Globalization-Overview of Ground Scenario in India

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Abstract:

In case of primitive stage, independence was possible for the society or country because requirements or wants were limited. In the present time it is impossible to work with aspect of closed economy. Any country, to satisfy its various requirements in the present time need to take support of other economies of world. With this perception, approach of globalization was adopted by different countries of world. India also adopted the approach of globalization and decided to take support of other countries. Research attempts to access ground scenario of Indian economy. Globalization means transfer of goods and services, technology, capital and human resources for mutual benefits.

Keywords:

Globalization, Economy, Technology, Import, Export, Human Resources, Foreign Investment, Government policies, Sick units, Exchange rate, Multi-National companies, Financial transactions

1. Definition

“Globalization can be defined simply as the expansion of economic activities across political boundaries of nation states. More importantly, perhaps, it refers to a process of deepening economic integration, increasing economic openness and growing economic interdependence between countries in the world economy.”¹

2. Introduction

Globalization is emerging as universally acceptable approach to satisfy varieties of needs. Globalization means to integrate economy of a country to world economies. India adopted economic reforms in the year 1991. Economics reforms comprises of Liberalization, Privatization and Globalization. As Globalization is one of the integral parts of economic reforms, India took different measures under the approach of globalization. Different companies of different sizes and types were influenced to varied extent by globalization. Some companies were benefited due to globalization and got an opportunity to expand their market. On the other hand, some companies were not able to get benefits but they faced loss. Mixed results can be seen at ground level in Indian economy.

Globalization is a wider concept and implemented by various measures by different countries in different manner. However, it can be characterized by...²

1. Rapid growth in international financial transactions
2. Fast growth in trade, especially among MNCs.
3. Surge in foreign direct investment, largely contributed by MNCs.
4. The emergence of global markets
5. The diffusion of technologies and ideas through rapid extension of globalized transportation and communication system.

Actually, seeds of globalization were found in early 1980s itself as many concessions were granted to foreign capital, MNCs were allowed to enter number on important sectors which were earlier restricted, even provisions of FERA were not strictly enforced, downward adjustment in exchange rate of the rupee was resorted. The real drive to globalization was provided by the new economic policy introduced by the government of India in July, 1991 at the order or can say request of international institutions like IMF and World Bank.

Different measures undertaken by the government of India under the cover of globalization were...

1. Rupee Convertibility and Exchange Rate Adjustment

Government took most important decision under globalization to of lifting of exchange controls and allow exchange rate to determine in international market without government intervention. India achieved full convertibility on current account on August, 19 1994.

2. Opening up to Foreign Capital

Government also took measures for attracting foreign investment to Indian economy by giving importance to specific high priority industries by widening limits for foreign investments. The limit of foreign investment was raised from 51 per cent to 74 per cent and subsequently to 100 per cent for many industries.

3. Import Liberalization

In line with the proposal of Report: Strategy for Trade and Reform of 1991, export import policy allowed free import of all items including capital goods, except negative list. In addition, import duties on a wide range of commodities were drastically cut down.

These measures were taken by the government to push Indian companies and Indian economy as a whole to cope up with globalization and global economy.

4. Objective

Objective of research is to access the reality behind the full moon picture of globalization in Indian economy with the support of certain figures.

5. Methodology

Secondary data has been used from relevant books, government reports for study and analysis for stated objective.

Ground scene can be overviewed by different perspectives like inflow of foreign investment, import and export as well as number of sick industries or industrial growth of specific industries. However, all these are not influenced only by approach of globalization but influenced by many other domestic and international factors, but it can be helpful to catch some lights for this study.

Below given statistics help the research to overview the scenario of Foreign Direct Investment in India.³

FDI Inflow and Percentage Change (1991-2010)

Years	FDI Inflow(Crores)	Growth rate of FDI Inflow	FDI as percent of GDP
1991-92	409	-	0.037
1992-93	1094	167.481	0.0944
1993-94	2018	84.46	0.1648
1994-95	4312	113.676	0.3311
1995-96	6916	60.389	0.495
1996-97	9654	39.589	0.64
1997-98	13548	40.335	0.8611
1998-99	12343	-8.8943	0.7353
1999-00	10311	-16.462	0.5771
2000-01	12645	22.636	0.6782
2001-02	19361	53.111	0.9814
2002-03	14932	-22.875	0.729
2003-04	12117	-18.852	0.5451
2004-05	17138	41.437	0.7174
2005-06	24613	43.616	0.7563
2006-07	70630	186.9622	1.9806
2007-08	98664	39.691	2.5305
2008-09	122919	24.583	2.953
2009-10	123378	0.3734	2.7455

Above given statistics reveal that globalization approach has supported positively to Indian economy. From 1991 to 1997, India got increase in foreign investment but the years of 1998 & 1999 indicated fall in foreign investment. Even 2002 & 2003 also highlighted fall in foreign investment. Eye catching inflow can be seen in the year i.e. 2006-07 because of rise of 186 per cent. It should also be noted that FDI as per cent of GDP has always risen except few years during the period of 1991-2010. It shows that Government succeed to attract foreign investment to Indian economy by adopting approach of globalization.

Ground scenario can also be overviewed with the help of statistics available for import and export for the year 2001-2012. Here it is analyzed after 10 years of adoption and implementation of globalization. This is studied with the help of below given statistics.

Import and Export and its change during 2000-01 to 2011-12

Year	In Crores		Per cent growth	
	Export	Import	Export	Import
2001-02	209018	245200	2.68	6.21
2002-03	255137	297206	22.06	21.21
2003-04	293367	359108	14.98	20.83
2004-05	375340	501065	27.94	39.53
2005-06	456418	660409	21.6	31.8
2006-07	571779	840506	25.28	27.27
2007-08	655864	1012312	14.71	20.44
2008-09	840755	1374436	28.19	35.77
2009-10	845534	1363736	0.57	-0.78
2010-11	1136964	1683467	34.47	23.45
2011-12	1465959	2345463	28.94	39.32

Effects of adoption and execution of globalization can be accessed with above given figures. The duration indicates continues rise in International Trade in India after globalization. It is seen that except the year of 2009 -10 (Growth of import: -0.78) there has been rise in both import and export. Moreover, it can be easily observed that import has risen with greater pace as compared to export. Obviously, India is a developing country and has to import capital goods and technologies from other countries that forces trade deficit of country.⁴

Other different issues are also observed after adoption and execution of globalization that can be pointed out as under...

1. Indian companies suffer from higher cost of capital because of higher interest rates in Indian economy as compared to outside India for Multi Nationals.
2. Indian companies at a real ground are not able to take advantage of economies of scale as their scale is smaller than vast or mammoth scale of MNCs.
3. Even with huge capital structure MNCs are able to fetch share of Indian capitalists and take over control from Indian Partners from joint ventures.
4. On a hidden surface, MNCs with their super "Muscle Power" influence policies and strategies at state and central government level.
5. Indian companies need to work within sphere of Labor laws of Indian economy whereas MNCs function most with giant machineries so they don't face problems what Indian companies face.

Assessment can be made with statements and opinions given by some industrialists and corporates in early phase of globalization that can give some highlights.

The problem thus arose for Indian companies with adoption of globalization. Approach of globalization was invited even by private players in the country but soon the real picture came to surface. Noted industrialist like Rahul Bajaj, S. K. Birla, and H. D. Dholakia gave voice to Indian corporates and indicated that idea of globalization is to promote healthy competition and not to build up monopolies by MNCs by killing Indian brands. One of the industrialists also noted that if multinationals are allowed to hold majority stake, Indians would be second class citizens in their own country.⁵

5. Conclusion

Is globalization really supportive aspect for Indian economy? Will be long debatable issue for Indian economy. Room still left for study and research with different influencing factors and figures. As results are influenced by varieties of factors, it is always insufficient to judge the results and measures effects of globalization. Still, Indian economy always remains in a phase that cannot neglect or avoid globalization. With further progress of economy, better governance can help better the situation at a globe for Indian Economy.

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