

# GLOBALISATION IN INDIA - GATEWAYS AND PITFALLS

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## ABSTRACT

*Globalisation may be defined as international integration or augmented mobility of people, capital, goods, services, data and even ideas from one country to another.*

*In recent days the ascent of Globalisation can be seen in almost all the countries around the world. The key benefits offered by globalisation to a country includes foreign collaborations, advanced technology, companies going MNC's, abundant supply of raw materials, increased job opportunities, better quality products which in turn leads to a higher standard of living. Despite of these benefits there are certain perils such as inequality and environmental degradation which automatically shoulders globalisation.*

*In the light of above mentioned facts, the current study aims to scrutinize the intrinsic worth and pitfall of globalisation in Indian economy.*

**Key words:** Indian economy, Globalisation, GDP, Exports, Imports, FDI.

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## INTRODUCTION

**Globalisation**, now a commonly heard term, may be defined as a process through which the entire world is merged into a single society by various means such as:

- Commencement of world trade.
- Developing a more advanced means of information technology.
- Growing importance of MNC's around the globe.
- Internationalisation of financial markets.
- Migration of people from one country to another.

In a more generalised sense, the term **Globalisation** means international integration or integrating our nation's economy with the world economy.

It was in the years 1990 and 1991, when Indian economy was in unfathomable crises due to depletion of foreign currency reserves to \$1 billion, increased fiscal deficit, lost of NRIs and foreign investor's (both individual and institutional) confidence in Indian economy and alarming increase in inflation rates to 17%. At that time, country was demanding major economic modifications to be initiated. Consequently, LPG model (Liberalisation, Privatisation and Globalisation model) was launched with the primary objective of making Indian economy the fastest developing economy around the world with capabilities that can help it to match up with the biggest economies of the globe.

Liberalisation in this context refers to relaxation in government's rules and regulations whereas privatisation refers to participation of private entities in business and service and transfer of ownership from the public sector (government) to the private sector.

The major steps which were initiated, to strengthen the Indian economy under LPG strategy during nineties include the following:

- **Devaluation:** During nineties India was facing Balance of Payment crisis. In order to resolve Balance of Payment crisis Indian currency was devaluated. Devaluation of Indian currency by 18% to 19% against the major currencies in the international foreign exchange market was the first step towards globalisation.
- **Allowing Foreign Direct Investment (FDI):** Another major step towards globalisation and liberalisation was approval to FDI in a wide range of sectors such as insurance (up to 26%), tea plantation (up to 100%), defence (up to 26%) etc.
- **Disinvestment:** This scheme was adopted in order to ensure smooth functioning of LPG model, under which many public sector enterprises were sold to private sector.
- **Removal of quantitative restrictions on Import.**
- **Reduction of custom tariff from 300% to 30%.**
- **NRI Scheme:** The facilities for foreign direct investment which were earlier available to foreign companies and foreign investors were also given to NRIs.

## OBJECTIVES OF THE STUDY

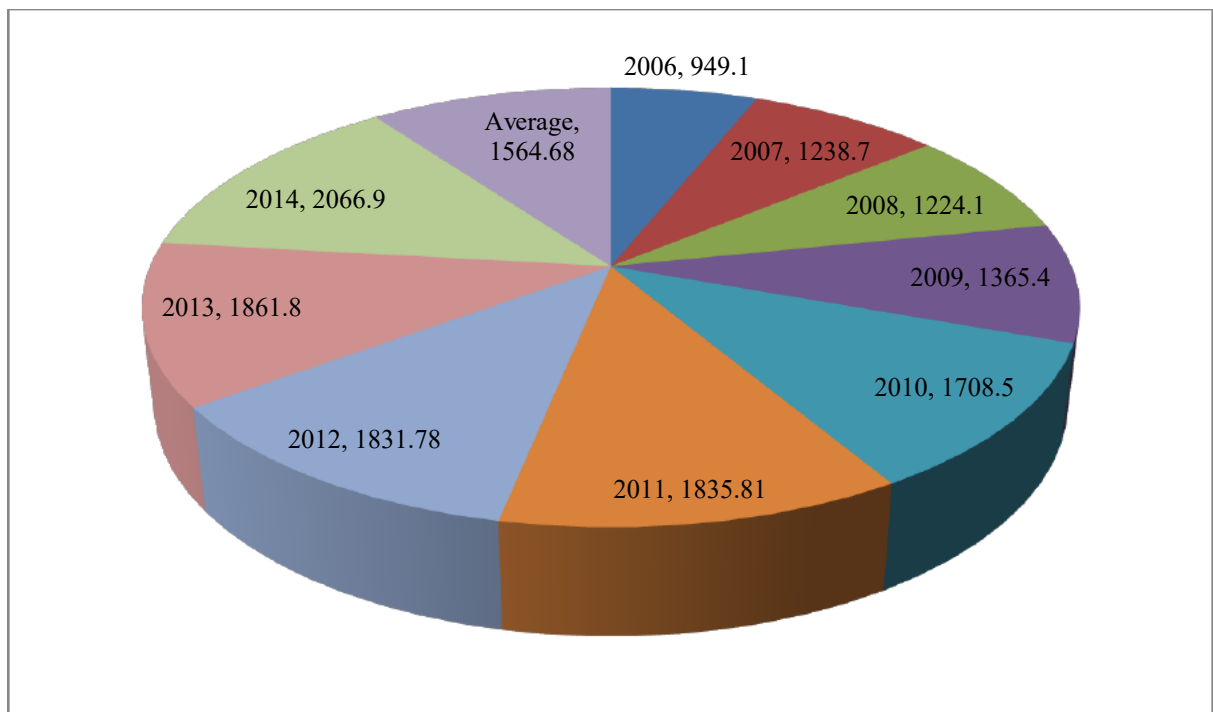
- To study the impact of globalisation on India's GDP, exports, imports and FDI.
- To analyse the pitfalls of globalisation.

## GLOBALISATION: WINDFALL FOR INDIAN ECONOMY

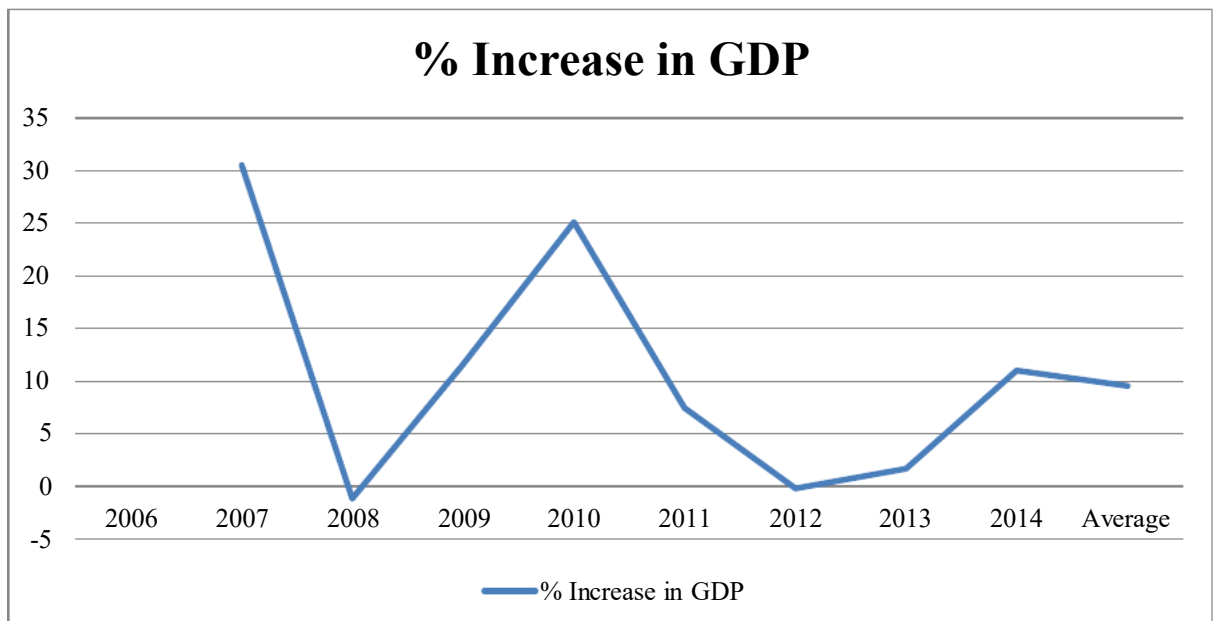
Globalisation has affirmative impact on the Indian economy in a multidimensional way, which can be enumerated as follows:

1. **Increase in GDP (Gross Domestic Product):** GDP may be defined as monetary value of all the goods and services produced within a nation's geographical borders over a specified period of time. Gross domestic product is one of the prime indicators used to measure the health of a country's economy. After globalisation GDP of India has shown a remarkable increase which can be demonstrated with the help of following figures:

**Figure 1.1** India's GDP (in U.S. \$ Billions)



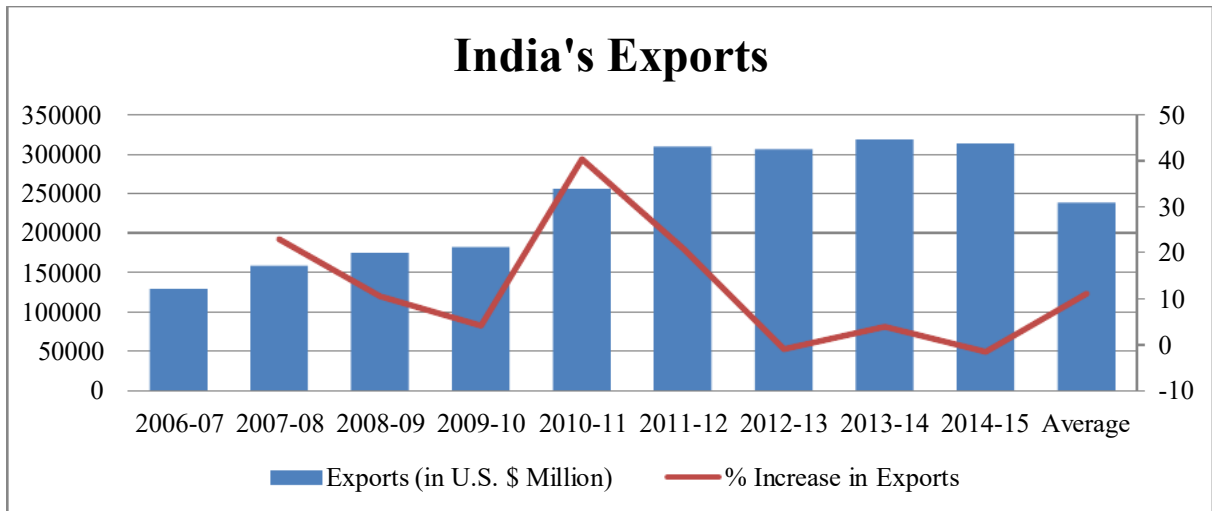
**Figure 1.2** % Increase in India's GDP from 2006 to 2014



The GDP (Gross Domestic Product) was as low as U.S. \$ 63.50 billion in 1970, but after globalisation Indian GDP is now touching new horizons which can be clearly seen in the above figures. Indian GDP worth U.S. \$ 2066.90 billion in 2014. The GDP value of India contributes to 3.33% to the world's GDP.

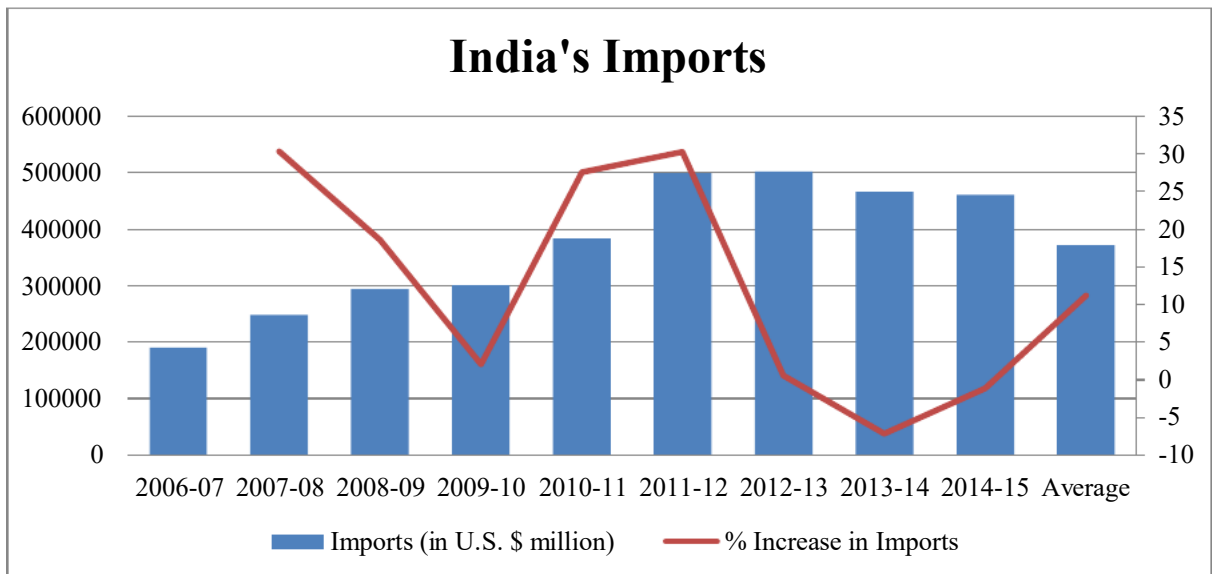
2. **Increase in Foreign Trade (Export-Import):** Advent of globalisation in Indian economy has also benefited foreign trade which is shown by the table and figure below:

Figure 2.1 India's Exports



Indian exports amounted only to U.S. \$ 32572 million in 2001-02. After 2001-02 Indian exports has revealed a noteworthy increase due to initiation of globalisation. As clearly seen in the above figure Indian exports are witnessing a remarkable increase after 2006-07 and has shown an average increase of 11.15% from 2006-07 to 2014-15. During the study period, it was in 2013-14 when India has achieved its highest export figure of U.S. \$ 318607 million.

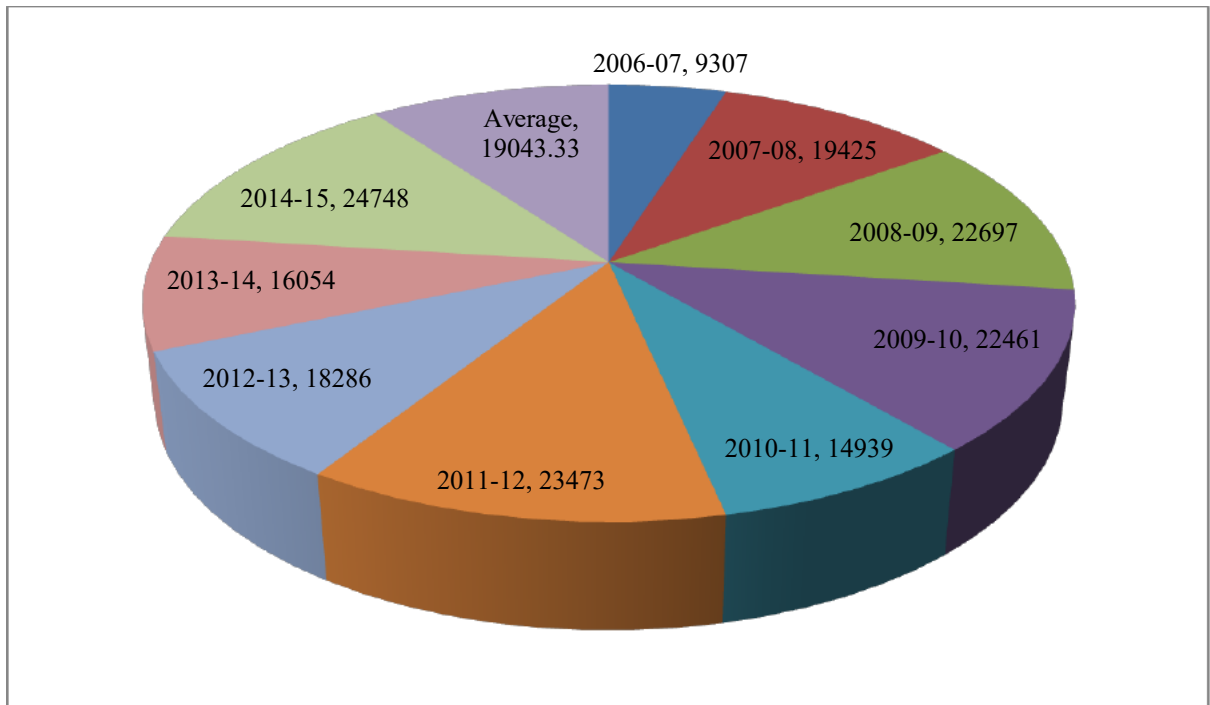
Figure 2.2 India's Imports



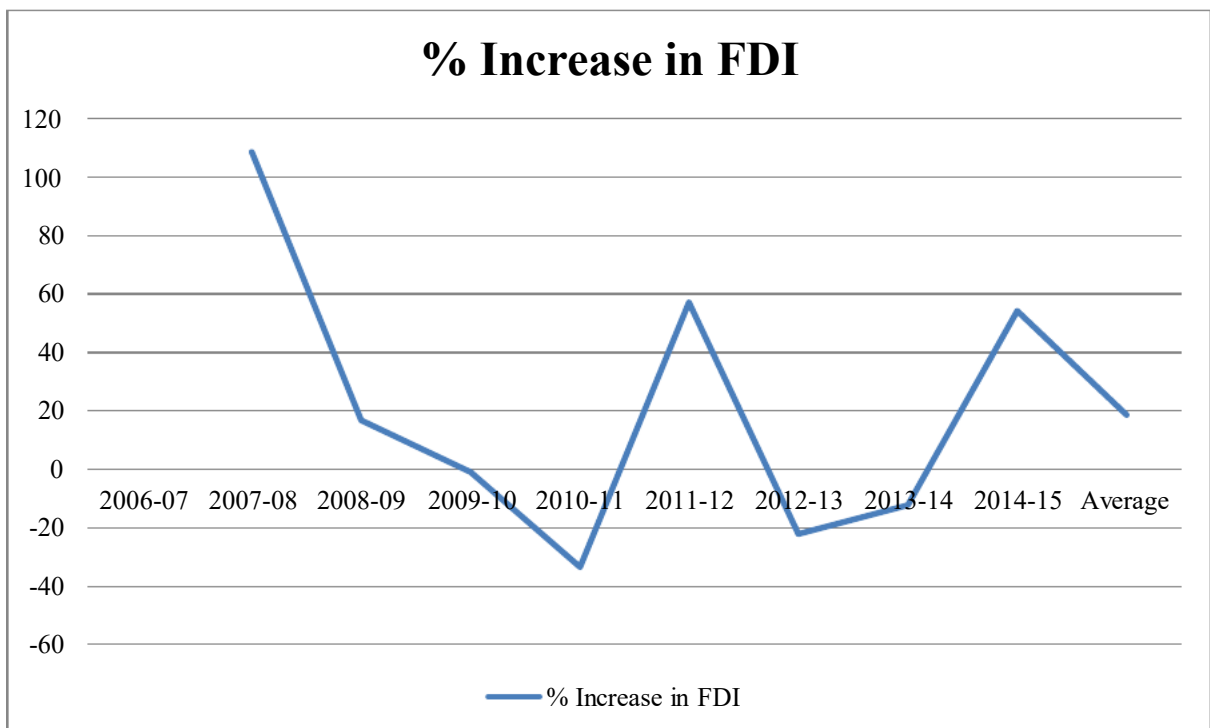
Indian imports amounted only to U.S. \$ 38362 million in 2001-02. After 2001-02 Indian exports has also exposed a remarkable increase due to instigation of globalisation. Globalisation has also led to tremendous increase in import figures which increased from U.S. \$ 190670 million in 2006-07 to U.S. \$ 502237 million in 2012-13 and has shown an average increase of 11.22% during the study period.

3. **Increase in FDI (Foreign Direct Investments) inflows:** FDI may be defined as a controlling ownership in a business enterprise in one country by an entity based in another country. India's FDI has also witnessed remarkable increase after globalisation which can be clearly seen with the help of table and figure below:

**Figure 3.1** India's FDI (in U.S. \$ Million)



**Figure 3.2** % Increase in India's FDI from 2006-07 to 2014-15



The above figures exhibit that after globalisation, FDI in India has shown a significant increase from 2006-07 to 2014-15. FDI in India has moved up from U.S. \$ 9307 million (in 2006-07) to U.S. \$ 24748 million (in 2014-15).

**Table 4** Indian Companies Going Global

(Major Acquisitions by Indian Companies Abroad)

| S. No. | Buyer                      | Acquisition                            | Purchase Price           | Year |
|--------|----------------------------|--|--------------------------|------|
| 1.     | Wockhardt                  | Wallis Laboratory, U.K.                | Rs. 72 Crores            | 1998 |
| 2.     | Wipro Limited              | NerveWire Inc. U.S.A.                  | U.S. \$ 18.7 Million     | 2003 |
| 3.     | Wockhardt                  | CP Pharmaceuticals, U.K.               | Rs. 85 Crores            | 2003 |
| 4.     | United Phosphorus          | Oryzalin Herbicide, U.S.A.             | U.S. \$ 21.3 Million     | 2003 |
| 5.     | Zydus Cadila               | Alpharma, France                       | Euro 5.5 Million         | 2003 |
| 6.     | Infosys                    | Expert Information Services, Australia | U.S. \$ 22.9 Million     | 2003 |
| 7.     | Reliance Communications    | Flag Telecom, Bermuda                  | US \$ 207 Million        | 2004 |
| 8.     | Tata Motors                | Daewoo Motors, Korea                   | US \$ 102 Million        | 2004 |
| 9.     | Wockhardt                  | Espharma GmbH, Germany                 | U.S. \$ 11 Million       | 2004 |
| 10.    | Mittal Steel               | Acelor, Luxembourg                     | US \$ 33 Billion         | 2006 |
| 11.    | Tata Steel                 | Corus, Anglo-Dutch Steel Maker         | U.S. \$ 12.04 Billion    | 2006 |
| 12.    | Wockhardt                  | Pinewood Laboratory, Ireland           | U.S. \$ 150 Million      | 2006 |
| 13.    | Hindalco                   | Novelis, Canada                        | U.S. \$ 6 Billion        | 2007 |
| 14.    | Wockhardt                  | Negma, France                          | U.S. \$ 265 Million      | 2007 |
| 15.    | Wockhardt                  | Morton Grove Pharmaceuticals, US       | U.S. \$ 38 Million       | 2007 |
| 16.    | Reliance Big Entertainment | Lowry Digital U.S.A.                   | U.S. \$ 7.5 Million      | 2008 |
| 17.    | Reliance Globalcom         | Vanco Group Limited, U.K.              | U.S. \$ 76.9 Million     | 2008 |
| 18.    | Tata Motors                | Jaguar Land Rover, Britain             | U.S. \$ 2.3 Billion      | 2008 |
| 19.    | ONGC                       | Imperial Energy, U.K.                  | U.S. \$ 2.1 Billion      | 2009 |
| 20.    | Adani Enterprises          | Abbot Point Coal Terminal, Australia   | U.S. \$ 2 Billion        | 2011 |
| 21.    | Essar Steel Global         | Alogoma Steel, Canada                  | Canadian \$ 1.85 Billion | 2007 |

### GLOBALISATION: WHO ARE ACTUALLY BENEFITED?

In spite of several benefits offered by globalisation to Indian economy, there are certain threats which cannot be overlooked, the most crucial of which are enumerated as follows:

- **Adverse impact on poor students:** No doubt that due to globalisation the Indian education system is benefited as many foreign universities have started collaborating with Indian universities, but at the same time the fees structure is also affected tremendously. Today, the course fees for Management Studies, Engineering and Medical are beyond the reach of an intelligent, but poor and middle class student

which forces him to compensate with his career, as he has no option left except to settle as a daily wage earner.

- **Threat for Indian industries:** Globalisation is a major threat for small-scale industries operating in India. Due to globalisation the Indian market is deluged with a variety of foreign products with better quality and competitive prices. These products from MNCs proves to be perks for consumers, but at the same time it possess a major threat for small-scale Indian manufacturers as they do not have advance technologies and sufficient financial resources to face the competition from MNCs.
- **Adverse effect on health sectors:** It is true that due to globalisation Indian health sector has made noticeable advancements in curing of various disease and health problems. But such medical facilities can be afforded only by richer sections of the society. Medical facilities such as eye operation, kidney operation, heart transplantation and even medicines are bearing a very hefty price which cannot be afforded by a poor.
- **Troublemaker for unskilled labours:** Globalisation basically favours skilled labours which are not abundantly available in India. In India mostly unskilled labours are available which are losing their jobs slowly and slowly with the enhancement of globalisation.
- **Adverse effect on agricultural sector:** Indian farmers are committing suicide in Punjab and Haryana as a result of heavy debt. On one hand they are required to pay a heavy price for better variety of imported seeds and on the other they are not able to export their farm products to rich countries because of rigorous quality parameters imposed by foreign consumers.
- **Environmental pollution:** One of the major ill effects of globalisation is environmental pollution. Establishment of MNCs throughout the globe due to initiation of globalisation has resulted in environmental degradation.
- **Increase in inequality:** The above mentioned point regarding negative effects of globalisation leads to a strong belief that globalisation is also one of the factors behind increasing inequality in distribution of income and wealth.

## CONCLUSION

The above study reveals that globalisation has both positive as well as negative effect on Indian economy. There are certain perils which puts a question mark on the benefits offered by globalisation such as environmental pollution, threat for small-scale industries, increase in price of basic amenities like clothes, footwear's, medicines, education etc. due to which inequality in distribution of income and wealth is maximised.

But on the other hand globalisation has also benefited Indian economy by opening up of world trade. It is due to globalisation only that a manufacturer is not able to cheat a consumer nowadays. Today a consumer can choose his desired product from a large variety of alternatives available in the market. For example, a consumer while purchasing a car has an option to choose from a number of brands available in the Indian market that has been made possible only by globalisation. Today, a doctor can save valuable lives by giving advice on the internet and a person can easily transfer money to anyone throughout the globe. All these have been made possible only with the help of globalisation.

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