

## **IMPACT OF GLOBALIZATION ON INDIAN MARKET**

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### **ABSTRACT**

*Globalization has many meanings depending on the context and on the person who is talking about. Though the precise definition of globalization is still unavailable a few definitions are worth viewing., Guy Brainbant: says that the process of globalization not only includes opening up of world trade, development of advanced means of communication, internationalization of financial markets, growing importance of MNC's, population migrations and more generally increased mobility of persons, goods, capital, data and ideas but also infections, diseases and pollution. 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. In context to India, this implies opening up the economy to foreign direct investment by International Research Journal of Finance and Economics.*

**Keywords:** Globalization & Environment of the Globalization in India, GDP growth , Growth Rate of various sectors of economy , Bright future of India because of Globalization

### **INTRODUCTION**

In current debates on globalization, controversy rages about the historical dating of the phenomenon. Nobel laureate Amartya Sen (2002) argues that globalization is at least a few thousand years old and that the West played a very minor role in its early phases. Sen rejects the commonly-made association of globalization with Westernization. At the other extreme, some scholars regard globalization as being post-World War I. It is characterized by the unprecedented speed of change; in fact, change has been “turbo-charged” (Friedman, 1999). Other researchers are more wont to focus on events post-World War II. Economic globalization in the post-World War II era has been spurred by the successive rounds of trade liberalization under the auspices of the General Agreement on Tariffs and Trade (GATT), the forerunner to the WTO.

**Technological Innovation**

Technological innovations, particularly those in transport and communications technology, form a second primary foundation of globalization. According to Langhorne, globalization originates in the second stage of the Industrial Revolution, with James Watt's invention of the steam engine in 1765 being pivotal. Langhorne distinguishes three phases of technological innovation that marked the process of globalization. The first phase is characterized by the application of the steam engine to land and sea transport and the invention of the electric telegraph. Steamboats and steam locomotives significantly reduced transportation time and increased transport volumes. The construction of railroads connected cities, regions, nations and continents to each other, accelerating the pace of transportation. Moreover, this development increased the scope of industrial activities, thereby increasing the quantity of goods, the distances that goods could be shipped and people transported. It also made the distribution of information faster and less costly.

**Political Dimensions of Globalization**

Although the interaction between the emergence of capitalism and technological innovation arguably formed the foundation for globalization, political dimensions cannot be ignored. Globalization is integrally a political process, since governments may shape or severely limit possibilities for private entrepreneurship. This internationalization is distinct from the "exogenous" process of globalization.

**Globalization and the Environment**

Environmental factors should not be ignored when analyzing globalization, they differ from the other dimensions of globalization. In contrast, environmental factors usually appear as the consequence of globalization, rather than as a separate driving force. However, many environmental factors, such as global climate change, may become driving forces in the future.

**Indian States and Marketing- Growth**

In India, there are altogether 28 states and 7 union territories. The latest addition to the list of states are Jharkhand; Chattisgarh and Uttarakhand carved out of Bihar; Madhya Pradesh (MP) and Uttar Pradesh (UP) respectively in 2001. The states are all very diverse from each other in terms of natural resources, history, culture, language, food, costumes, festivals and lastly, in their level of marketing development.

**The Important Reform Measures (Step towards Globalization)**

Major measures initiated as a part of the liberalisation and globalisation strategy in the early nineties included the following:

**Devaluation:** The first step towards globalization was taken with the announcement of the devaluation of Indian currency by 18-19 percent against major currencies in the international foreign exchange market. In fact, this measure was taken in order to resolve the BOP crisis.

**Disinvestment:** In order to make the process of globalization smooth, privatization and liberalisation policies are moving along as well. Under the privatization scheme, most of the public sector undertakings have been/ are being sold to private sector.

**Dismantling of The Industrial Licensing Regime:** 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. No industrial approval is required from the government for locations not falling within 25 kms of the periphery of cities having a population of more than one million.

**Allowing Foreign Direct Investment (FDI):** Across a wide spectrum of industries and encouraging non-debt flows. The Department has put in place a liberal and transparent foreign investment regime where most activities are opened to foreign investment on automatic route without any limit on the extent of foreign ownership. Some of the recent initiatives taken to further liberalize the FDI regime, inter alias, include opening up of sectors such as Insurance (upto 26%); development of integrated townships (upto 100%); defence industry (upto 26%); tea plantation (upto 100% subject to divestment of 26% within five years to FDI); enhancement of FDI limits in private sector banking, allowing FDI up to 100% under the automatic route for most manufacturing activities in SEZs; opening up B2B e-commerce; Internet Service Providers (ISPs) without Gateways; electronic mail and voice mail to 100% foreign investment subject to 26% divestment condition; etc. The Department has also strengthened investment facilitation measures through Foreign Investment Implementation Authority (FIIA).

**Non Resident Indian Scheme:** The general policy and facilities for foreign direct investment as available to foreign investors/ Companies are fully applicable to NRIs as well. In addition, Government has extended some concessions specially for NRIs and overseas corporate bodies having more than 60% stake by NRIs.

**Throwing Open Industries:** Reserved For The Public Sector to Private Participation. Now there are only three industries reserved for the public sector

Abolition of the (MRTP) Act, which necessitated prior approval for capacity expansion

**The removal of quantitative restrictions on imports.**

**The reduction of the peak customs tariff:** From over 300 per cent prior to the 30 per cent rate that applies now.

Severe restrictions on short-term debt and allowing external commercial borrowings based on external debt sustainability.

**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.

## India is Global

The liberalization of the domestic economy and the increasing integration of India with the global economy have helped step up GDP growth rates, which picked up from 5.6% in 1990-91 to a peak level of 77.8% in 1996-97. Growth rates have slowed down since the country has still been able to achieve 5-6% growth rate in three of the last six years. Though growth rates has slumped to the lowest level 4.3% in 2002-03 mainly because of the worst droughts

in two decades the growth rates are expected to go up close to 70% in 2003-04. A Global comparison shows that India is now the fastest growing just after China.

### **New Globalization and Indian Economic Identity**

From an economic point of view, the new globalization may be perceived as a process of “Global marketization” The two pillars of it are ‘privatization’ and ‘liberalization’. From 1991 onwards, the politicians who assumed ‘power’ in India accepted this philosophy, even though the masses of the Indian people disliked it.

### **Factors That Have Enabled- Globalization in India**

#### **Technology**

Rapid improvement in technology has been one major factor that has stimulated the globalization process.

#### **Liberalization of Foreign Trade & Foreign Investment Policy**

Removing barriers or restrictions set by the government is what is known as liberalization. With liberalization of trade, businesses are allowed to make decisions freely about what they wish to import or export. The government imposes much less restrictions than before and is therefore said to be more liberal.

#### **World Trade Organisation (WTO):**

Nearly 150 countries of the world are currently members of the WTO (2006). Though WTO is supposed to allow free trade for all, in practice, it is seen that the developed countries have unfairly retained trade barriers. On the other hand, WTO rules have forced the developing countries to remove trade barriers.

#### **Industrial Policy**

Industrial policy has seen the greatest change, with most central government industrial controls being dismantled.

#### **Trade Policy:**

Trade policy reform has also made progress, though the pace has been slower than in industrial liberalization.

#### **Foreign Direct Investment:**

Liberalizing foreign direct investment was another important part of India’s reforms, driven by the belief that this would increase the total volume of investment in the economy, improve production technology and increase access to world markets.

#### **Reforms in Agriculture:**

The share of India’s agricultural exports in world exports of the same commodities increased from 1.1 percent in 1990 to 1.9 percent in 1999, whereas it had declined in the ten years before the reforms. But while agriculture has benefited from trade policy changes

## Infrastructure Development:

Rapid growth have seen in a globalized environment a well-functioning infrastructure, including especially electric power, road and rail connectivity, telecom-Communications, air transport and efficient ports.

## Financial Sector Reform:

Banking sector reforms included: (a) measures for liberalization, like dismantling the complex system of interest rate controls, eliminating prior approval of the Reserve Bank of India for large loans and reducing the statutory requirements to invest in government securities; (b) measures designed to increase financial soundness, like introducing capital adequacy requirements and other prudential norms for banks and strengthening banking supervision; (c) measures for increasing competition, like more liberal licensing of private banks and freer expansion by foreign banks

## Privatization:

The public sector accounts for about 35 percent of industrial value added in India, but although privatization has been a prominent component of economic reforms in many countries, India has been ambivalent on the subject until very recently. Initially, the government adopted a limited approach of selling a minority stake in public sector enterprises while retaining management control with the government, a policy described as “disinvestment” to distinguish it from privatization.

## Growth of GDP:

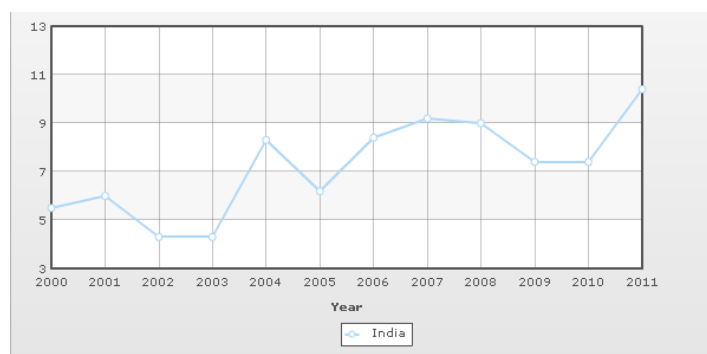


Chart showing the growth nGDP

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
India	5.5	6	4.3	4.3	8.3	6.2	8.4	9.2	9	7.4	7.4	10.4

The economic scenario in India has been pretty stable over the last 5 years. Despite the economic downturn two years back the Indian economy has managed to remain stable. The India GDP recorded for the period December 2010 stood at 7.4 percent. However according to the (CMIE) or Centre for Monitoring Indian Economy India will record a GDP of 10.4 per cent in the year 2011. India's GDP growth 2010 - 2011 has not been phenomenal but is certainly encouraging.

**Impact of Globalization**

Globalization in India had a favorable impact on the overall growth rate of the economy. This is major improvement given that India's growth rate in the 1970's was very low at 3% and GDP growth in countries like Brazil, Indonesia, Korea, and Mexico was more than twice that of India. Though India's average annual growth rate almost doubled in the eighties to 5.9%, it was still lower than the growth rate in China, Korea and Indonesia.

A growth rate of above 8% was an achievement by the Indian economy during the year 2003-04.

**CONCLUSION**

The study analyzed the impact of globalization on growth of firms in Indian manufacturing industry during post reform period. An empirical analysis at micro level of firms in Indian manufacturing industry showed an important finding that among various aspects of globalization, the imported capital goods considered to be the main source of technology transfer has a positive and significant role in generating growth of firms. The other main aspect of globalization, export orientation, has also been found to have a positive and significant effect on growth of firms. Thus the study concludes that globalization of Indian economy has a significant impact on growth of firms in manufacturing industry. Hence, globalization may lead in general to growth of firms in other developing economies as well.

**SUGGESTIONS**

The most important lesson that we must learn from the crisis is that we must be self-reliant. India's trade reform programme resulted in strong economic growth in the globalization age. In particular, difficult decisions are to redress the fiscal imbalance, by reducing subsidies, completing the process of tariff and tax reform, and stepping-up privatization of state-owned enterprises. The efforts are needed to balance the trade and consider expansion of trade in other countries of the world.

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 in future .

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