

# SUSTAINABLE AND INCLUSIVE GLOBALIZATION

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# **RISE AND DECLINE OF GLOBALIZATION AND ITS IMPACT ON INDIAN ECONOMY**

**Alka W. Patil**

## **INTRODUCTION**

The economy of India is the tenth largest in the world by nominal GDP and the third largest by purchasing power parity (PPP). The country is one of the G-20 major economies and a member of BRICS. On a per capita income basis, India ranked 140th by nominal GDP and 129th by GDP (PPP) in 2011. Indian Economy was in deep trouble in July 1991 when foreign currency reserves had reduced to almost dollar 1 billion, inflation had soared to an annual rate of 17%, fiscal deficit was very high and become unsustainable, foreign investors and NRI s had lost interest in Indian Economy. Capital was flying out of the country and India was close to defaulting on Loans.

The real thrust to the globalization was provided by the economic reforms of 1991 by Indian Government. The new economic reform popularly known as Liberalization, Privatization, and Globalization (LPG). Globalization generally means integrating economy of our nation with the world economy. The economics changes initiated have had a dramatic effect on the overall growth of the economy Globalization has a wide role to play worldwide. It has left back its footprints at every sphere of life; Not only in India, but it interchange the world views and its ideas. Globalization describes a process by which regional economics, societies, and cultures have become integrated through a global network of communication, transportation, and trade. Indian Economic Scenario has been gradually restructured since July 1991. The current reforms are based on a much clearer recognition of the need to integrate with the global economy through trade, investment and technology flows and for this purpose to create conditions which would give Indian entrepreneurs an environment broadly comparable to that in other developing countries.

The major areas of economic reforms are 1) Industrial Policy Reform, 2) Foreign Investment Policy Reform, 3) Fiscal Policy Reform, 4) Monetary policy Reform, 6) External Policy Reform

Hence, is there have been the positive or opposite claim on the impact of globalization in Indian Economy? In order to analyze the reality this paper makes a sincere attempt to identify the impact of globalization in India.

## **OBJECTIVES**

- To analyses the impact of Globalization on Indian Economy.
- To identify areas where the globalization has succeeded in India.
- To identify areas where the globalization has failed in India.
- To suggest the policy accordingly Indian scenario.

## **METHODOLOGY**

In the present article secondary sources of date from government publication, Economics Survey of India, Research paper, article of various author, data from website, etc. is used.

## **IMPACT OF GLOBALIZATION ON INDIAN ECONOMY**

Globalization in India is generally taken as integrating the economy of the country with the rest of the world. This in turn implies that opening up the economy to foreign direct investment by providing facilities to foreign companies to invest in different fields of economic activities in India. Impact of globalization on Indian Economy has both side positive as well as negative side. In a one side it is gone faster the growth rate of Indian Economy, in the other side it is created high inequalities in distribution of Income, generating poverty , unemployment and there are few were exploiting like Adivasi people in the name of industrial development .

Under Industrial Policy we can see the industrial development pre and post reform in India. The Industrial policy initiatives undertaken by the government since July 1991, It have been designed to build on the past industrial achievements and to accelerate the process of making Indian industry internationally competitive. The annual average growth of industry during the Tenth Plan Period (2002-07) is 8.7 percent as against the targeted growth rate of 10 per cent. Indian industrial structure is a difference, it is not constant it is change from time to time. Present structure of Industries is different than earlier.

The changes in Industrial development and growth we can divide into different stages which were applied during planning era.

### **PHASE I - HIGH GROWTH PHASE (1950-51 TO 1965- 66)**

An important factor for responsible to high growth rate was emphasis on industrialization since second five year plan, high priority was given to industrial growth. Better investments were made in the industrial sector. As a result 17 industries were reserved for the public sector. This is also period of price stability and the food grain prices remained constant. The agriculture output showed a higher trend compared to pre-independence

## PHASE II - INDUSTRIAL DECELERATION AND STRUCTURAL RETROGRESSION (1966-80)

This phase is also known as low growth phase particularly 1965-1974. The government expressed the view that exogenous factor such as the Wars of 1971, Drought conditions in some year, infrastructural constraints and bottlenecks and oil crisis of 1973 were responsible for the slowdown of growth.

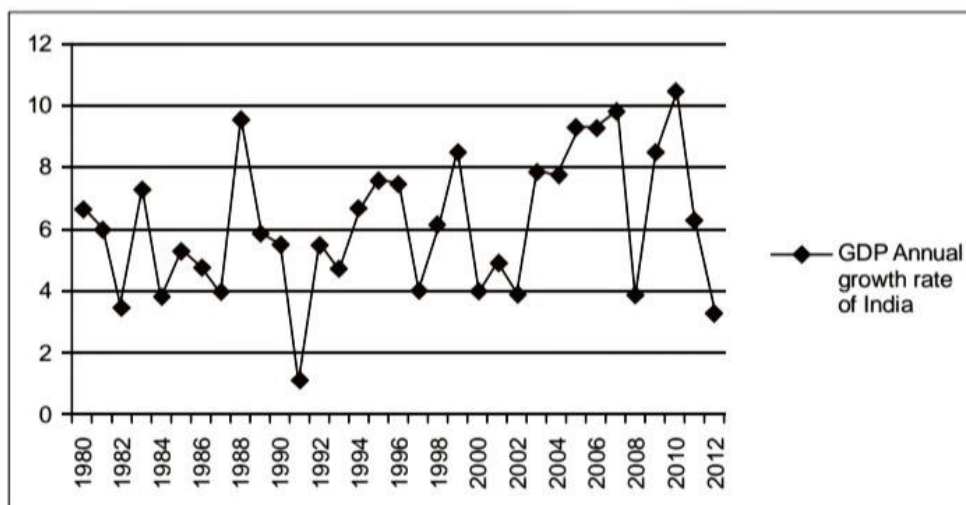
## PHASE III - THE PERIOD OF INDUSTRIAL RECOVERY (1981- 1991)

The period of 1980s can broadly be termed as a period of industrial Recovery. One of the main causes of industrial Recovery during 80s was the liberalization of industrial and trade policies by the government. Increased prosperity of large farmers in certain regions, There was marked resurgence in infrastructure investment in 80s. There was a significant increase in government expenditure on all services in the 80s.

## PHASE IV – REFORM PHASE (JULY 1991 ONWARD)

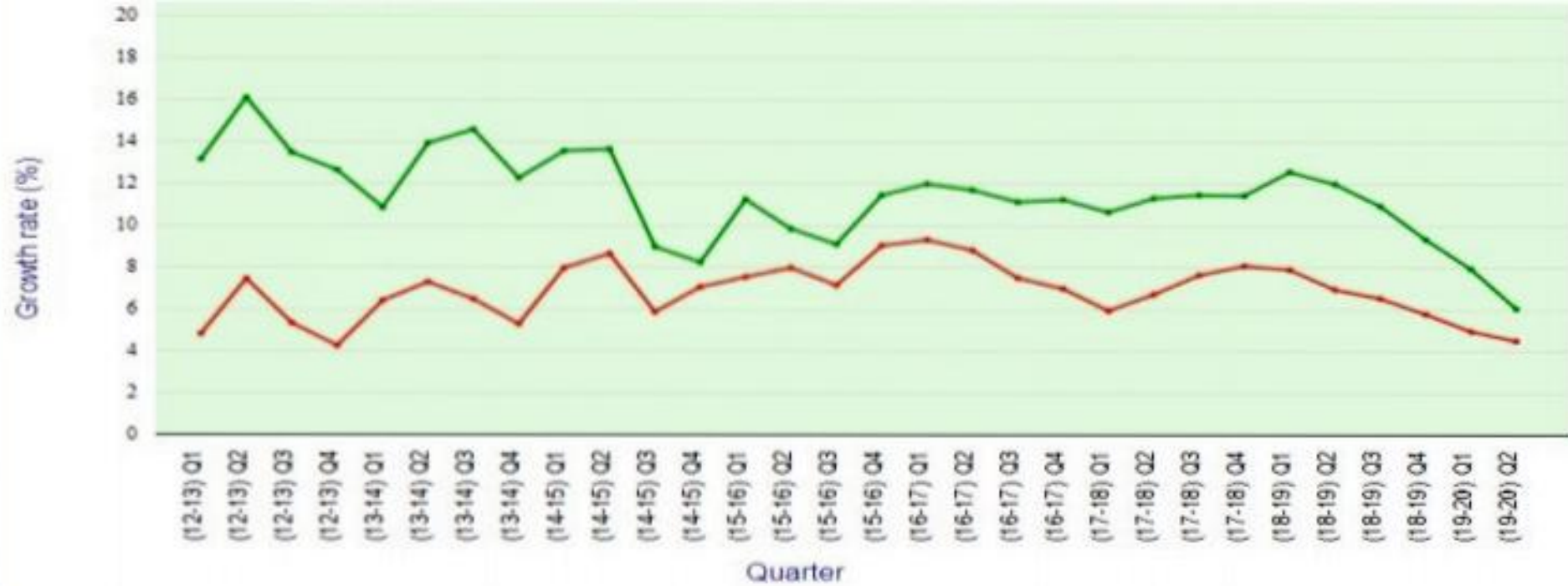
The impact of ten years of gradualist economic reforms in India on the policy environment presents a mixed picture. The industrial and trade policy reforms have gone far, though they need to be supplemented by labor market reforms which are a critical missing link. The logic of liberalization also needs to be extended to agriculture.

Annual GDP growth rate 1980 – 2012 Globalization in India had a favorable impact on the overall growth rate of the economy. The pick-up in GDP growth has helped improve India's global position. India has grown at an average rate of close to 9% annually. Figure 1 shows the Annual GDP growth rate of India (1980-2012).

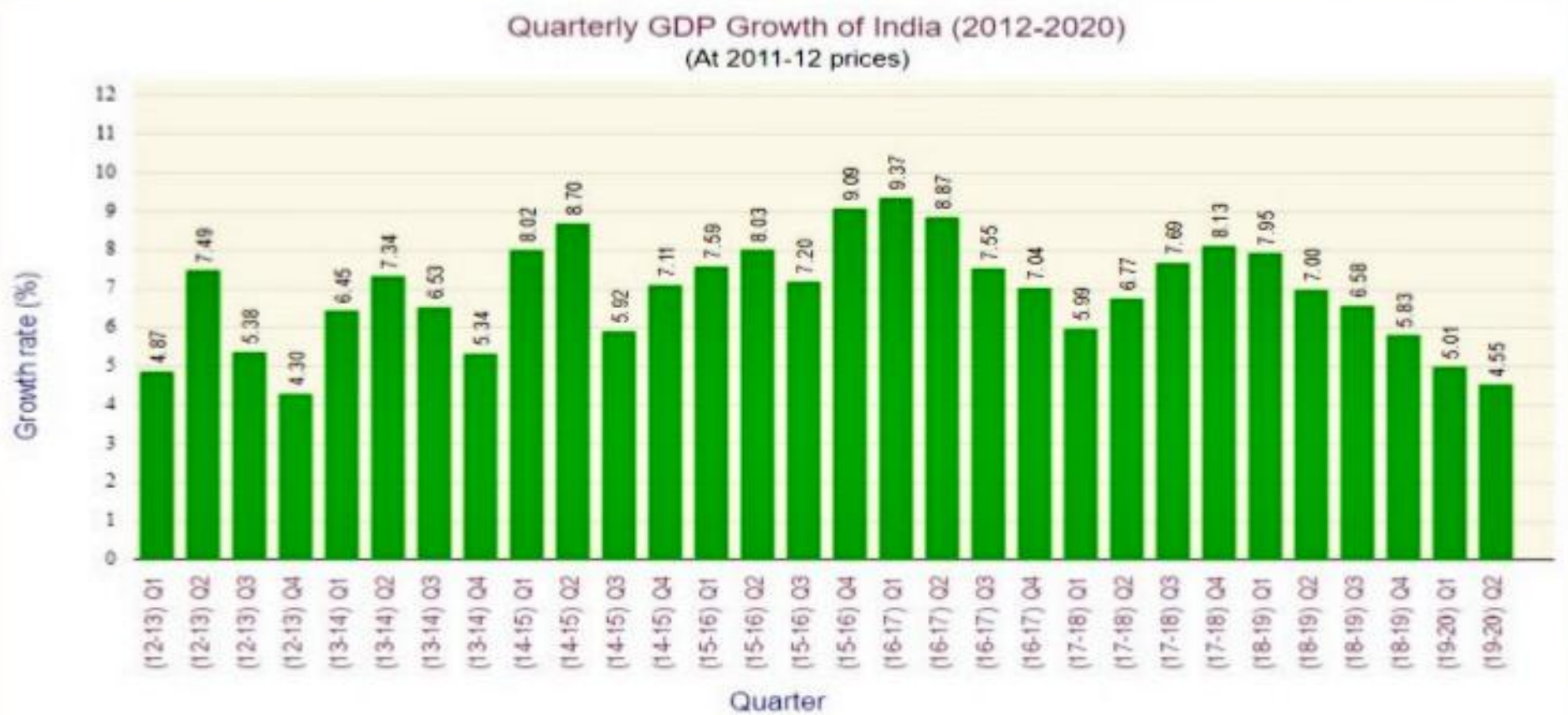


Source : WDI



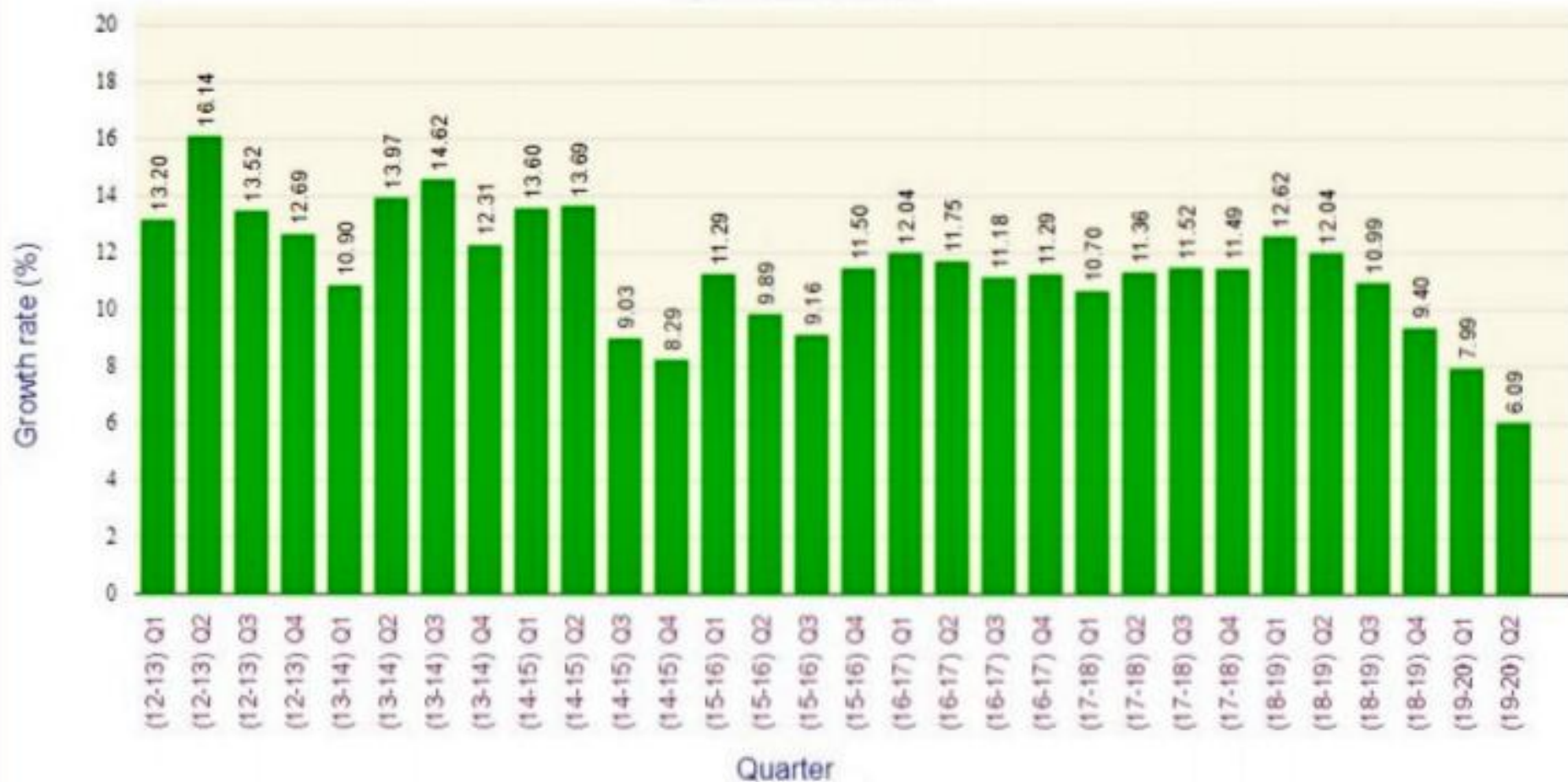


Source : Ministry of Statistics and Programme Implementation : 2011-2019





Quarterly GDP Growth of India (2012-2020)  
(At current prices)



Source : Ministry of Statistics and Programme Implementation : 2011-2019, 2019-20

**INDIA GDP GROWTH LOWEST SINCE 2013**

The Indian economy expanded 4.5 percent year-on-year in the third quarter of 2019, below 5 percent in the previous period and market expectations of 4.7 percent. Figures showed the economy eased for the fifth consecutive quarter, and grew at the weakest pace since the first three months of 2013.

**INDIAN GDP GROWTH WEAKEST IN OVER 6 YEARS**

The Indian economy advanced 5 percent year-on-year in the second quarter of 2019, slowing from a 5.8 percent expansion in the prior period and missing market consensus of 5.7 percent. It was the weakest growth rate since the first quarter of 2013, amid a slowdown in manufacturing and construction sectors.

**INDIA Q1 GDP GROWTH SLOWS TO 5-YEAR LOW**

The Indian economy advanced 5.8 percent year-on-year in the first quarter of 2019, slowing from a 6.6 percent expansion in the previous period and missing market expectations of 6.3 percent. It was the weakest growth rate since the first quarter of 2014, amid weaker consumer demand and fixed investment.

The most important and the fastest growing sector of Indian economy are services. Trade, hotels, transport and communication; financing, insurance, real estate and business services and community, social and personal services account for more than 60 percent of GDP. Agriculture, forestry and fishing constitute around 12 percent of the output, but employs more than 50 percent of the labor force. Manufacturing accounts for 15 percent of GDP, construction for another 8 percent and mining, quarrying, electricity, gas and water supply for the remaining 5 percent.

**POSITIVE EFFECTS OF GLOBALIZATION ON INDIAN ECONOMY**

- Increase in Foreign Trade in India
- Increase in Foreign Exchange Reserves
- Increase in Foreign Collaboration
- Expansion of Market in metropolitan cities
- Technological Development in mostly field
- Development of Capital and Share Market



**NEGATIVE EFFECT OF GLOBALIZATION**

- Loss of Domestic industries in every state of India
- Problem of Unemployment in primary and secondary sector
- Exploitation of Labour with low salary
- Bad Effect on Culture and Value System

**CONCLUSION**

On the basis of above study we can say that globalization is not a free lunch as an outward looking. It is a mixed bag of success and failures in India. Having gone through positive and negative effect of globalization in our country, we can say that it is not equally beneficial for all countries (Developed, Developing and Underdeveloped) countries in the world. So we need a policy of globalization which is beneficial for India, creates opportunities with the objective of growth, employment and equity and raise the welfare of all people in India throughout the world. Government should adopt measures to ensure fair globalization policy. Globalization should not be thought of as a solution to everything. It merely provides opportunities. Those who take advantage, they flourish and those who do not they sink. Globalization is not supposed to produce equality of outcome but it produces equality of opportunity for those with right mindset.

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