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Impact of Globalization on Economic Growth in India

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Abstract

Globalization describes a process by which regional economies, societies and cultures have become integrated through a global network of communication, transportation and trade. The term is sometimes used to refer specifically to economic globalization. The integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology. Globalization as a spatial integration in the sphere of social relations. Globalization generally means integrating economy of our nation with the world economy. The economic changes initiated have had a dramatic effect on the overall growth of the economy. The economic changes also heralded the integration of the Indian economy in to the global economy. The Indian economy was in major crisis in 1991 when foreign currency reserves went down to $1billion. Globalization had its impact on various sectors including Agricultural, Industrial, Financial, Health sector, and many others. The objective of the paper is to study the impact of Globalization on Economic growth and to identify the Problems of Globalization on Agricultural, Industry and Service Sector.

India gained highly from the LPG model as its GDP increased to 9.7 per cent in 2014-2015. In respect of market capitalisation, India ranks fourth in the world. But even globalization, condition of agriculture has not improved. The share of agriculture in the GDP is only 17 per cent. Globalization has both positive and as well as negative impact on various sectors of Indian economy. So, globalization has taken us a long way from 1991 which has resultant in the advancement of our country. This is an excellent attempt to show various effects of globalization on different sectors of the economy, via, primary sector, secondary sector, and tertiary sector.

Key Words: *Globalization, Economic growth and industrialization.*

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Introduction

Globalization describes a process by which regional economies, societies and cultures have become integrated through a global network of communication, transportation and trade. The term is sometimes used to refer specifically to economic globalization. The integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology. Globalization as a spatial integration in the sphere of social relations. Globalization generally means integrating economy of our nation with the world economy. The economic changes initiated have had a dramatic effect on the overall growth of the economy. The economic changes also heralded the integration of the Indian economy in to the global economy. The Indian economy was in major crisis in 1991 when foreign currency reserves went down to $1billion. Globalization had its impact on various sectors including Agricultural, Industrial, Financial, Health sector, and many others. It was only after the LPG policy, i.e., Liberalization, Privatization and Globalization launched by the then Finance Minister Dr. Man Mohan Singh that India saw its development in various sectors.

Globalization is something of a buzzword today. Trade and investment barriers between countries are rapidly breaking down. Companies are spreading their operations across the globe. Consumers are able to access an ever-growing basket of goods and services. Countries, companies and individuals are increasingly beginning to take into account what is happening across the world, rather than in only the country in which they are based. All of these advances are part of globalization – which, at its simplest, means crossing borders. In short, Globalization is affecting a vast section of the society, whether people realize it or not. But like "limits to economic growth" there are also limits to globalization of the economy and minimisation of state control therein. Therefore, there is a need to be very careful in adopting Globalization as being presently promoted by the WTO.

Objectives of the study:

1. To study the impact of Globalization on Economic growth.
2. To identify the Problems of Globalization on Agricultural, Industry and Service Sector.

The first objective of the study is to find out the impact of globalization on Economic growth.

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Table No: 1.1
Economic growth of India during nineties

Year	GDP Growth Rate (%)
1990 - 1991	6.0
1991 - 1992	3.1
1992 - 1993	7.7
1993 - 1994	4.3
1994 - 1995	4.3
1995 - 1996	4.3
1996 - 1997	3.8
1997 - 1998	5.5
1998 - 1999	6.7
1999 - 2000	5.6
2000 - 2001	5.6
2001 - 2002	5.3
2002 - 2003	4.2
2003 - 2004	5.2
2004 - 2005	7.1
2005 - 2006	6.3
2006 - 2007	8.1
2007 - 2008	9.2
2008 - 2009	6.9
2009 - 2010	7.2
2010 - 2011	8.8
2011 - 2012	6.4
2012 - 2013	8.0
2013 - 2014	7.9
2014 - 2015	8.1

Source: Economic Survey - Annual Report

The above table shows that GDP growth rate in 1990-91 it was 6.0 per cent, which reduced and become just only 3.1 per cent in 1991-92, which was the lowest GDP growth rate during this decade. Suddenly it was increased in 1993-94, 1994-95, 1995-96 and 1996-97. In 2004-2005 the GDP growth rate was increased in 7.1 per cent. But it was slowly down and increased situation in this decades. In 2007-08 the GDP growth rate was highest position at 9.2 per cent. During 2014-15 the GDP growth rate was 8.1 per cent.

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Table No: 1.2
Globalization and GDP growth

Year	GDP Growth Rate (%)
1990 - 1991	1.3
1991 - 1992	1.5
1992 - 1993	5.3
1993 - 1994	6.2
1994 - 1995	7.3
1995 - 1996	7.3
1996 - 1997	7.8
1997 - 1998	4.8
1998 - 1999	4.3
1999 - 2000	5.1
2000 - 2001	4.4
2001 - 2002	5.8
2002 - 2003	4.0
2003 - 2004	7.5
2004 - 2005	8.5
2005 - 2006	9.0
2006 - 2007	9.2
2007 - 2008	8.2
2008 - 2009	6.1
2009 - 2010	7.8
2010 - 2011	6.6
2011 - 2012	5.1
2012 - 2013	6.9
2013 - 2014	6.7
2014 - 2015	7.0

Source: Hand book of statistics on Indian Economy 2014-15

The above table shows that in 1990-91 GDP growth rate was 1.3 per cent, in globalization period, which reduced and become just the lowest GDP growth in this decade. In 1992-93 it was slowly increased at 5.3 per cent. In 1993-94 the GDP growth rate increased 6.2 per cent. But 1997 - 98 the growth rate was down stage at 4.8 per cent. During 2003-04 the growth rate was increased in 7.5 per cent. 2004 – 05 the growth rate is 8.5 per cent. But 2005-06 it was increased 9.0 per cent. During 2006-07 the growth rate was 9.2 per cent. It is highest position in GDP growth rate. But it was slowly down stage in 2010 - 11 and 2011-12. In 2014 - 15 growth rate was increased at 7 per cent.

Problems of Globalization on Agricultural, Industry and Service Sector:

In short, the GDP growth rate in India in recent years has been rising at a rate which is distinctly higher than the rate of population growth and this has enabled us to have some accumulation of capital and also a little improvement in per capital consumption. However, there is a room to increase economic growth rate up to 9 per cent to 10 per cent. Some of the obstacles are listed below which should be overcome in order to achieve 9 per cent to 10 per cent economic growth rate.

- Poor Infrastructure facilities and High Growth Rate of Population
- Problem of Rising Prices and Poor Performance of Public Sector Enterprises
- Economic Inequalities and Poor Performance of Agricultural Sector
- High Poverty Ratio and High Level of Illiteracy
- Strong Hold of Customs and Traditions
- Lower Level of Saving and Investment
- Political Instability and Frequent Changes in Economic Policies
- Slow rate of Urbanisation and Industrialisation
- Under Utilisation of Capacity in Industrial Units
- Corruption and Malpractices

Some of the main problems that need to be tackled by policy-makers today in order to reach 9 per cent to 10 per cent economic growth rate.

Reasons for low industrial growth

Industrialisation has a major role to play in the economic development of the underdeveloped countries. In fact, in modern times, industrialisation has come to be regarded as synonymous with economic development. The essential criteria to distinguish a developed economy from an underdeveloped one relates to the level of per capita income, share of industry in gross domestic product and proportion of working population engaged in the industry. Normally speaking, in developed countries per capita income is at a higher level, share of industrial sector in gross domestic product is quite high and high proportion of its labour force is found to be engaged in industry sector compare to the underdeveloped countries.

At the time of independence, Indian industry was utterly lacking behind. This lacking of industrial sector in India may be well judged from the fact that the industrial out-put in 1948-49 was 6.6 per cent of the total national income. The total labour force engaged in this sector was hardly 24 million over the same period. But it has been our good luck that the country has made tremendous development in the field of industry since the introduction of five years plans. Right now almost 25 per cent of total population is engaged on industrial sector and the share of industrial sector in national income is almost 25 per cent.

From the index of growth rates of industrial production, it becomes evident that the performance of the industrial production during 1993-94 to 2002–03, which is generally identified as a period of wide ranging reforms in the industrial sector, was not up to the mark. It failed even to equal the performance observed in the eighties, not to speak of improving the performance as a consequence of the reform process in the nineties. No doubt, today industrial growth is very high, it is almost 9 per cent to 10 per cent but till today industrial sector is facing some problems and due to this problem industrial growth rate is not up-to the mark.

Reasons for Low export growth rate

At the eve of independence, India's share in the world trade was 2.2 per cent that has fallen down to 0.6 per cent in the year 1995 another even when she became the founder member of the WTO. This share rose to 9 per cent in the year 2003; but despite all efforts she could not attain the target of 1 per cent that is sought for.

There was a significant deceleration in India's export growth during the post-WTO period. On an average basis, India's exports in this period increased at the rate of 10.72 per cent per annum, which was lower than 12.25 per cent achieved in the pre-WTO period. India's import bill surged up at the rate of 12.08 per cent per annum during the post-WTO period. This rate was higher than that for export in the same period and far above the rate of growth in imports of 8.27 per cent per annum in the pre-WTO period. As a result, India's trade deficit more than doubled in the post-WTO period rising to $8.3 billion from an annual average of $3.6 billion in the pre-WTO period.

Deceleration in the rate of growth of India's exports under the post-WTO period could be attributed to both domestic and external factors. At the domestic level India has not been able to remove completely the supply constraints in the forms of procedural and bottlenecks, distortions in product and factor markets, and infrastructural shortages, as well as slow growth rate of agricultural sector. Externally, exports have suffered due to the persistence of protectionist sentiments in the developed countries in the guise of technical standards, environmental and social concerns, tariff escalation and tariff peaks. Such barriers have been particularly stiffer in areas where India has a comparative advantage such as agriculture, textiles and leather products.

All these suggest that in order to infuse a sense of dynamism into the export sector and maximize the export earnings on a sustained basis in future an effective export strategy will have to be evolved.

Reasons for Low employment growth rate

Over the past two decades and particularly during the 1990s the Indian labour market has witnessed several disquieting features. First, the growth of employment has shown a downward trend. As revealed by the results of the 55th round of the National Sample Survey Organization (NSSO), there has been a sharp decline in the growth rate of employment from 2.04 per cent year in the period 1983 to 1993-94, to only 0.98 per cent in the period 1993-94 to1999-2001.

Although this deceleration in employment is accompanied by an equally sharp decline in the rate of growth of labour force from 2.29 per cent in the period 1987-88 to 1993-94, to only 1.03 per cent in the period 1993-94 to 1999-2000, there is no doubt that the employment growth has been inadequate the growth rate of employment is less than the growth rate of the labour force indicating an increase in the unemployment rate. The employment elasticity (ratio of employment growth rate of GDP growth rate), mainly due to increasing capital intensity, has considerably declined over the years and more so after the Liberalisation and Globalization of the economy it declined from 0.41 per cent during 1983-84 to as low as 0.15 per cent during 1994-2000 indicating a sharp decline in the employment absorption of the economy. When seen in terms of sectoral distribution, it is observed that the deceleration in the employment growth during 1994-2000 is basically due to the stagnancy of agricultural employment as compared to the period 1983 to 1994 when agricultural employment grew by 1.5 per cent per annum.

Moreover, Globalization has accelerated the process of proletarianisation of labour. The problems of unemployment, casualisation, lower wages, and part-time jobs, less or no security in jobs has manifested themselves in a much greater degree.

Consequently, a process of cost cutting has pushed up the share of capital in value added. Raising productivity by downsizing is only denominator management of productivity. A higher profit has been the result of exploitative efficiency, rather than basing globalization on enlarging growth opportunities for both the management and labour. The bargaining power of trade unions has been considerably reduced and they are accept 'concession bargaining', instead of 'collective bargaining' earlier resorted to resolve labour disputes. To save the workers from job losses, the trade unions are forced to accept cuts inwages and salaries, freezing of dearness allowance and other benefits, a higher share of casual labour in employment, voluntary suspension of trade union rights for specific period.

Conclusion:

Since it is a macro level study, it includes macro level parameters shows various effects of globalization on different sectors of Indian Economy. Through knowing the positive and negative impacts of globalization a complete and dynamic globalization policy can be formulated accordingly to the need of the time. Through knowing competitiveness of the particular sector the Government can take the appropriate steps to strengthen that particular sector. India gained highly from the LPG model as its GDP increased to 9.7 per cent in 2012-2013. In respect of market capitalisation, India ranks fourth in the world. But even globalization, condition of agriculture has not improved. The share of agriculture in the GDP is only 17 per cent. Globalization has both positive and as well as negative impact on various sectors of Indian economy. So, globalization has taken us a long way from 1991 which has resultant in the advancement of our country. This is an excellent attempt to show various effects of globalization on different sectors of the economy, via, primary sector, secondary sector, and tertiary sector. It is hoped that the paper will prove useful to the researchers and Government Executives concerned with the formulation and execution of economic policies.

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