

Impact of Globalization on Indian Economy

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Abstract

Globalization has made a single common place for the whole world. Generally speaking, globalization in India means integrating the country's economy with the world. It, in effect, means opening the market to foreign direct investment by providing foreign companies with facilities to invest in various fields of economic activity in India. In India, the globalization cycle caught up with the 1991 constitutional reforms. In terms of their way of life, culture, values, taste, fashion and preferences, globalization affects people. The exchange of world views and ideas through globalization has resulted in a significant transformation in people's lifestyle and living standards. India has a rich cultural background and the world's culture is prominent. Globalization is a multidimensional process that embraces the economic, political, cultural and social dimensions. New developments in information and communications technology have accelerated the nature and speed of this process. The economic convergence of economies has been driven by international financial markets and trans-border output network. This paper focuses on both sides of globalization-both positive and negative.

Introduction

In the competitive world, globalization is an important factor that incorporates and mobilizes people's cultural values at global level. In the era of rapid technical progress, due to the cycle of globalization, many countries are united and transformed. Globalization has a tremendous impact on countries' cultural, financial, economical, political, and community life. Globalization includes markets that are open to international trade and do not differentiate themselves from international capital. As a consequence, globalization is often followed by market liberalization and efficient asset privatization. Yet globalization also contributes to unemployment, increasing casual jobs, and growing labor movements. It suggests that globalization, for all members of the global community, does not have the same advantages. It has more value for leaders of developed nations while it can be said that developing nations are in a very poor position. Furthermore, a closer look at the impacts of globalization on developing countries, one would consider both sides of the coin, because its results are both negative and positive. This means globalization for all global community leaders, does not have the same advantages. It has more value for developed nation's members, although it can be said that developing nations are in a very poor position. Furthermore, looking closely at the impacts of globalization on developing countries, all sides of the coin would be considered as having both negative and positive impacts.

Historical Background of Globalization

A replacement of the police state with a welfare state in the 20th century reflects the growth of social settlement. The state has become an active player in the economic life of society. State ownership defines that the production and distribution became the law in socialist states, and Government-controlled economies of command were operational and considered the best way to drive socio-economic development. Nationalization of key industries and businesses has been practiced in many other countries in order to provide citizens with goods and services. Many socio-economic functions were initiated by the state. In India, a decision was taken to adopt a mixed economic model and the public sector was entrusted with ownership and control over key industries.

Nonetheless, insufficient sluggish and unproductive results were found to be Knowledge of market economies working and a mixed economic model, with a clear public sector leaning. The Indian economy began to show significant strains around 1985. Indian public sector now seemed to be a liability, and foreign reserves came in very poor shape. Industrial growth has been regressive and inflation has expected alarming rates. In July 1991, India's government decided to move towards economic liberalization. A new economic policy with new emphasis on economic reforms was developed and introduced. These have been regulated by liberalization, privatization, free trade, market economy, globalization and de-licensing rules. These changes have paved the way for the start of the cycle of liberalization and globalization of the Indian economy. This began to develop as an internationally open economy to link, integrate and unify the domestic economy with the world economy.

Features of Globalization:

1. Liberalisation:

This stands for the right of entrepreneurs to create any industry or company or business venture within their own countries or abroad.

2. Free trade:

This represents the free flow of all nations ' trade relationships. -State grants MFN (the most favoured nation) status to other states and keeps their business and trade away from excessive and harsh regulatory and protective regimes.

3. Globalisation of Economic Activity:

Economic activities are regulated by both the home and global markets. This reflects the cycle of convergence of the home economy with world economies.

4. Import-export liberalization system:

This stands for legalizing import-export trade and maintaining a free cross-border flow of goods and services.

5. Privatisation:

To keep the state away from the regulation of means of production and distribution and to allow the free flow of manufacturing, trade and economic activity across borders.

6. Improved Collaborations:

Encouraging the process of collaborating among entrepreneurs to ensure rapid modernization, development and advancement of technology.

7. Economic Reforms:

Encouraging the collaborative process between entrepreneurs to ensure rapid technology innovation, growth and advancement.

Globalization supports and encourages the value of free international trade, free access to world markets, and free flow of cross-border investment. It represents global investment integration and democratization of the world's culture, economy, and infrastructure.

Impact of Globalization

Positive Impact:

- (1) (1) Globalization supports and encourages the value of free international trade and free access to world markets and free cross-border investment flow. This stands for the unification and democratization of the society, economy and infrastructure of the world by global investment.
- (2) (2) Rising foreign capital: globalization attracts foreign capital, leading to technological upgrades.
- (3) Quality improvement: Quality improvement must take place in order to survive the rivalry offered by other firms.
- (4) Restructure of production and trade patterns: Globalizations should help to restructure development and trading policies in line with a country's factor strength.
- (5) Adoption of new, flexible production method: Globalizations will raise allocations efficiency, especially in underdeveloped and developing countries by:
 - (a) Reducing capital output ratio.

- (b) Enhancing labor productivity.
- (c) Developing export culture.
- (d) Raising capital flows.
- (6) Improvement of communications: Internet and mobile technologies have allowed increased communication in different countries between people.
- (7) Reduce poverty: Through globalization, the needs of the vulnerable are being applied in many micro-credit systems to priorities.
- (8) Rise in employment: Integration between different sectors has been expected to lead to more development in the home country. This will increase the opportunities for employment.

Negative impacts:

- (1) (1) Small businesses are adversely affected: cuts in public subsidies, de-industrialization and influx of cheap imports are adversely affecting the small business community.
- (2) Decline in income: Roughly half a billion people in South Asia have witnessed a decline in their income during the globalization process. So far, the record shows that it was the poor who suffered most.
- (3) Devastation of local producers: Globalization has devastated local producers because they can not compete with low-cost imports.
- (4) Increase in economic disparities: The structural reforms introduced by the combination of the World Bank / IMF and globalization driven by the developed world are bound to increase the world's rich and accentuate the poor's poverty.
- (5) Increase in Deficit on current account: It is known that the process of globalization and trade liberalization has contributed to a rapid increase in exports, but there has been an adverse development in the form of increased deficit both in terms of trade balance and the balance of current account. India's trade balance deficit ratio to its GDP deteriorated from -1.0 per cent to -8.6 per cent between 1991-1992 and 2007-2008. The deficit ratio in the current account balance to GDP also plummeted over the same period from -0.3% to -2.8%.
- (6) Globalization raises the gap between rich and poor, increasing social disparity. The benefits of globalization are not common in developing countries.

Conclusion

The globalization process has involved nearly every country in the world. This paper has been able to demonstrate globalization as a complex process that has broad implications for developing countries. Globalization has impacted developing countries such as India and, whether negative or positive, these countries' economies have changed under the impact of globalization. It has raised FDI, led to inflation reduction, and positively improved international trade. GDP and a positive rate of growth have helped to improve the global position of India. On

the other hand, it also brought disadvantages; all customs and cultures like traditional clothing and linguistics have disappeared. Globalization has brought new innovations and drugs from a health-care viewpoint. But it was also the explanation for increased violence, drug abuse, smuggling of drugs and the spread of deadly diseases. We may claim globalization has both positive and negative effects.

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