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IMPACT OF GLOBALISATION ON INDIAN ECONOMY

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Abstract
Globalisation is the international phenomenon which brings growth in Indian market with integration of national market to international market. It introduces the privatization and liberalization in the Indian economy. This paper briefly outlines the meaning of glabalisation in economic scenario, the reforms measures taken by government of India for integrating Indian with global economy. It discusses the impact of globalization of growth rate, various financial sectors of the Indian economy. Also outlines the adverse impact of globalization on Indian economy. It concludes that India will continue its onward journey of growth despite of global financial uncertainties.

Introduction
It is not almost impossible to put up a newspaper or listen a news without either be confronted by the word globalisation or being faced with the issue relating to the economic impact for instance financial scandals or crisis are said to be having ripple effect throughout the world, or jobs are being gained or lost through the business decisions and activities of large corporations (Kelly, prokhovnik 2004: 86). Globalisation connotes the process of developing socio-economic inter-connectedness or inter-dependence among various nations of the globe, particularly regarding finance, market and strategies, technology, regulatory capabilities and governance, mode of life and consumption patterns. The globalisation in some form and in some extent, was present even earlier but on account of (i) new market based on foreign exchange and capital flow, (ii) new tools like internet, cellular phones and media network (iii) new actors like WTO, (iv) multinational corporations, (v) new rules like multilateral agreements on trade and services and intellectual properties backed by strong enforcement mechanism, it is offering greater opportunities for human development through increase trade, new technologies, foreign investment expending medias and internet connections. The term globalization broadly signifies the process of increase trade and flow of capital and human resources and transfer of technology between nations.

Globalisation
Globalisation refers to the process of integration of economies around the world, particularly through trade and financial flows. It also refers to the movement of people and knowledge across international borders. The term globalisation comes in common usage since the 1980’s reflecting technological advances that have made it easier and quicker to complete international transaction both trade and financial flows. It leads to the extension of market force beyond national borders. The concept of globalisation is far border in meaning then is the concept of the global market. The objective of globalisation is to create a single geographic market that is worldwide in scope with a single set of trading rules that are worldwide in the application (Narayana 2006: 3). The Globalisation like inter-nationalization and multi-nationalism refers to the process to the developing contracts among all nations of the worked. However, in present day world changes are so great in many fields like finance, communication network, transport, the flow of goods, perception and consciousness of goods and services, etc. That the concept likes inter-nationalisation and multi-nationalism proves inadequate to describe them. Thus, the globalisation refers to the process of developing contract with other countries in respect of (i) finance (ii) market and strategies (iii) technology and related research and development (iv) models of life and consumption patterns (v) regulatory capabilities and governance (vi) political unification of the world (vii) perception and consciousness. It has two distinct phenomena, viz scope (i.e., stretching) and intensity (i.e., deepening). Thus, the globalisation defines a set of processes which embrace most of the globe and have a spatial connotation and on the other hand, it also implies intensification in the levels of interaction, interconnectedness or interdependence between the states and the societies, which constitute the worked community. However, it does not mean that the world is becoming more politically untied economically interdependent and culturally homogeneous. Infect it is highly uneven in its scope and highly differentiated its consequences.

Globalization is subject to a range of different definitions and interpretations. Some stress the development of common global culture. Others debate whether the political power of the Nation-State to deal with the wide range of challenges it faces is declining. Some analysis sees globalisation as a sudden and rapid reaction to change in communications and information technology while other interpretations see it as a continuation and perhaps acceleration of a centuries-old trend. At the very least it suggests a whole set of new opportunities and challenges for people and institutions to negotiate (Kelly, prokhovnik 2004: 88). Economic globalist understands globalization as a phenomenon concerning the growing integration of the national economic of most states in the world based on five interrelated drivers of change (Kelly, prokhovnik 2004: 91).

1. Growing international trade resulting from lower trade barriers and more competition.
2. Increasing financial flows in such forms as foreign direct investment (FDI) and technology transfers; FDI can take the form of ‘green field’ or brand new investment or mergers with and acquisition of existing enterprises, and this is but one of the forms of capital flow which take place.

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3. Increased communications via both the internet and traditional media.
4. Technological advance in electronic, transportation, bio engineering, etc.
5. Increased labor mobility.

The core of globalisation lies in freeing a country's economic frontiers to allow unrestricted international trade in goods and service entry and exit of foreign capital and technology and giving the foreign investors a treatment similar to that given to domestic investors. In its essence, the term globalisation refers to the integration of economics of the world through uninhibited trade and financial flows as also through mutual exchange of technology and knowledge. Ideally, it contains the free inter-country movement of labor as well (Gangisetty2009: 14). So it is advantages to a country accrue through bigger capital and private investment inflows as well as through increased availability of the resource. This helps the recipient country to accelerate the pace of development being what could otherwise have been possible.

Globalisation and Indian Economy

The globalisation process through started in a modest way during the seventies, it is improved in eighties and accelerated in nineties (Panday 2009: 9). The deregulation and liberalization started in the aforesaid period, and the private sector has been its due role in Indian economy. The multinational corporation is actively participated in merger and acquisition process to get the market entry or strengthen the presence. Beside the reliance of the Indian corporate sector on foreign technology purchased has also increased. It has also been observed that the MNC's with their global clout have an unfair advantage over Indian economies and gradually taking over control of the joint ventures in which these have been partners with the minority holding.

In the general sense, the term globalisation is often referred as, "economic globalisation" which means integration of national economy into the international economy through trade, foreign direct investment, capital flow and migration and spread of technology. It is defined by V.M.Mohadham as, "economic globalisation pertains to deeper integration and more rapid interaction of economies through production, trade and (unregulated) financial transaction by banks and Multi-national Corporation, with an increasing role for the world bank and the international monetary world as well as the more recent world trade origination". E-commerce, information and communication technology have made the process of globalisation more convenient. Some implications are given by: (Goel, Mishra 2009: 24).

1. It is customer oriented and aims to deliver the best quality in most cost effective way.
2. It encourages competition within and beyond nation which in turn results in continuous innovation globally to produce and end deliver product and services to meet consumer needs in the best possible ways. Thus, it supports the Darvian theory of "survival of the fittest".
3. Globalisation means borderless world which comprises of free exchange of money, ideas and expertise, partnership and alliance.

Sometimes the Indian entrepreneurs took the lead in respect of acquisition by foreign corporation lured by the alternative prices at which the holding could be sold. Foreign direct investment in Indian corporate sector is considered beneficial, but freedom for portfolio investment tends to destabilise the economy. The Indian companies have derived the advantage by being able to float issue in the foreign market based on the policy of openness to capital flows from abroad (shroff 1999: 2848).

Indian has joined the global information technology agreement (ITA) under the aegis of WTO of Geneva on March 25th, 1997 and undertaken to bring down the import duty on 217 IT related capital goods including computers to Zero by 2005, which is likely to make India more competitive globally (Panday 2009:10). It is essential for India to monitor carefully the developments in the real, financial and technological sector, and to frame the polices in tandem with global developments so that global integration continues to be a positive sum game for all countries (kumara, Rao, Rajesh 2009: 23). All in all, weather in the real sector or the financial sector, the globalisation is helpful to the Indian economy which has been growth-oriented and has inspired technocrats to spawn vigorous new enterprises in the field such as software and consumer goods which are also employment intensive.

Important Reforms for Promoting Indian Economy

Indian economy was in deep crises in July 1991, when foreign currency reserves had decrease to almost one billion dollar, inflation had raised annual rate 17% fiscal deficit was very high and had become unsustainable, foreign investors and NRI's had lost confidence in Indian economy, the capital was flying out of the country and we were close to defaulting on loans. The economic compulsions at home and abroad that called for a complete overhauling of our economic policies and programmes (Panday 2009: 14). Then we need to wide economic reforms, then at the same time, a wide range of policy and regulatory reforms were initiated in July 1991. The new economic reforms were popularly known as liberalization,

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privatization and globalization (LPG model) aimed at making the Indian economy as faster growing and globally competitive economy (Goal, Mishra 2009: 24) under the then finance minster Dr. Manmohan Singh and PMship of Narasimha Rao of Congress government. The series of reforms were undertaken on industrial sector, trade as well as financial sector aimed at making the economy more efficient. According to (Goel and Mishra) important reforms measure was as follows:

1. "*Devaluation* – the first step towards globalisation was taken with the announcement of the devaluation of Indian currency by 18-19 % against major currencies in the international foreign exchange market.
2. *Disinvestment* – "The selling of investment is known disinvestment". Means for the smooth progress of globalization government sold public sector undertaking to the private sector in the name of disinvestment.
3. *Dismantling of the industrial licensing regime* – At present, only six industries are under compulsory licensing mainly on account of environmental safety and strategic considerations.
4. *Allowing Foreign Direct Investment* – Many sectors were opened to foreign investment in automatic route without limit on the extent of foreign ownership.
5. *Nonresident Indian scheme* – The general policy and facilities for foreign direct investment as available to foreign investors/companies are also fully applicable to NRI's. Also, government has extended some concession to NRI's and overseas corporate bodies having more than 60% stake of NRI's.
6. *Private participation* – The industries being reserved for the public sector were opened to private participation. Now there are only three industries reserved for the public sector, and rest have been liberalized for private participation.
7. *Abolition of MRTP Act.* – The monopoly and restrictive trade practices act were abolished which necessitated prior approval for the capacity expansion, and now it has new name monopolistic and restrictive Trade Practices Act.
8. The quantitative restrictions on imports were removed.
9. The peak customs tariffs were reduced significantly from over 300% before the 30%.
10. Wide-ranging financial sector reforms in the banks, capital market and insurance sectors and the introduction of foreign/ private sector competition".

Impact of Globalization

With the inception of reforms to liberalize the Indian economy in July 1991, when finance minster Dr. Manmoan Singh presetting the 1991-92 budget under the Narshima Rao government gave a definite shape and started to the new economic transition has had a tremendous impact on the popularly known as liberalization, privatization and globalization (LPG) overall economic development of almost all major sectors of the economy and its effects over the last decade can hardly be overlooked. Besides, it also marks the advent of the real integration of the Indian economy into the global economy.

Due to globalization not only the GDP has increased but also, the direction of growth in the other sectors has also been changed. Earlier the maximum part of the GDP in the economy was generated from the primary sector (agriculture, forest, fisheries, and mining) but now the services sector remains the growth driver of the economy with the construction of more than 57% of GDP. India is ranked 19th among the world's leading exporter of services with a share of 2.9% in 2014 of the world exports as per the WTO report. The services sector is expected to benefit from the ongoing liberalization of the foreign investment regime into the sector (Goel, Mishra 2009: 27) while the share of the agriculture sector has decreased from 35.5% in 1985-86 to only 15.79% in 2013-14. The industry sector has also come down to 24.77% in 2013-14 from 26.1% n 1985-86 (Alam, Ali 2009:17). Globalization in India has a favorable impact on the overall growth rate of the economy. This is a 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 were more than twice that of India. The pickup in GDP growth has helped improved India's global position consequently India's position in the Global economy has improved from the 8th position in 1991 to 4th place in 2001 and 3rd in 2011. During 1991-92 the first year of Rao's reforms program, the Indian economy grew by 0.9% only. However, the GDP growth accelerated to 5.3% in 1992-93 and 6.2% 1993-94. India's GDP has increased by 7.5%, 9.4%, 9.6% and 9% in the first four years from the fiscal year 2004-05 to 2007-08 recording a sustained growth over 9% for three consecutive years for the first time (Alam, Ali 2009: 16).

% of GDP	1984-85	2002-03	2009-10	2010-11	2011-12	2012-13	2013-14
Agriculture	35.2	26.5	15.20	15.78	15.50	15.10	15.79
Industry	26.1	22.1	27.76	27.16	27.22	26.21	24.77
Servises	38.7	51.4	54.54	54.64	54.91	56.27	57.03

GDP at Factor Cost at 2004-05 Prices, Share to Total GDP and % Rate of Growth in GDP (31-10-2014)

Years	2007-08	2008-09	2009-2010	2010-2011
GDP in %	9.80	3.89	8.48	10.55

Rate of Growth of GDP by Industry of Origin at Factor Cost & at 2004-05 Prices (Constant / Current)
Source: *Central Statistical Organization (CSO) - 31.10.2014*

Hence services sector are major contribution in global economy.

Impact on Poverty

The growth of Indian economy very much depends upon rural participation in the global race. After implementing the new economic policy, the role of the villages got its significance because of its unique outlook and branding methods. For ex. Food processing and packaging are the one of the areas where new entrepreneurs can enter into a big way. It may be organized in a collective way with the help of cooperatives to meet the global demand.

Impact on Indians Financial Sectors

Effect of globalization on some major constituents of the financial sector may be given as under

The Indian Banking Sector

The total assets value of the entire banking sector in India is near US$270 billion and the total deposits are near US$220 billion (Goal, Mishra 2009:31). The banking sector in India has been transformed completely presently the latest inclusions such as internet banking and core banking have made banking operation more user-friendly and easy.

A Mutual Fund in India

Mutual fund in India stated in 1963 with the formation of united Trust of India, at the initiative of the Government of India and RBI (Mishra, sarin 2009: 371). Until 1987 the Indian mutual fund industry was dominated by public sector and comprised of eight mutual fund houses only (Goal, Mishra 2009:32).1987 marked the entry of no UTI, public sector mutual funds set up by the public sector banks and life insurance corporation of India (LIC) and General Insurance of India (GIC) Due to the globalisation private sector were allowed to enter the industry which gave investors a wider choice of fund families. Foreign fund management was also allowed to operate mutual funds in India. Presently there are twenty-nine mutual fund houses which have foreign participation. In 1991, Govt. of India allowed SEBI to regulate the mutual funds SEBI come up with SEBI (MF) Regulation 1993 (Goal, Mishra 2009: 32) which were substituted by a more comprehensive and revised mutual fund regulations in 1996. The number of mutual fund houses went on increasing, with many foreign mutual funds settings up funds in India and also the industry has witnessed several merger and acquisition. As the end of January 2003, there were 33 mutual funds with total assets of Rupees 1, 21,805 Crores. The UTI with Rupees 44,541 Crores of assets under management was very ahead of another mutual fund (Mishra, Sarin 2009: 372).

Indian Insurance Sector

Due to globalisation many foreign companies have also entered the arena such as Tokio, marine, Aviva, Allianz, Lombard General, AMP, New York life, standard life, AIG and sun life. The completion among the companies has led to aggressive marketing and distribution techniques. The active part of the insurance regulatory and development Authority (IRDA) as a regulatory body has provided to the development of the sector.

Beyond all this it can also be say that we have two sides of globalization, we have best of times, and we have the worst of times also. If due to globalisation new growth our economy there is an adverse impact also on our economy.

Adverse Impact also on Indian Economy

We find that the Indian ruling classes led by a big bourgeoisie are embracing the policies of liberalization and opening up our country to the predatory loot of foreign capital. There are no restrictions including the one that prevailed in the country for a long time that a part of profits earned by foreign capital must be reinvested in the country. Foreign capital can now take over Indian domestic industries. Loot India's rich economic resources and, exploit India's cheap labor. The super profit and that it makes, it can safely take back to its country (Malvia 2009: 40). Many of the MNC's have preference to invest in the short-term projects rather than in capital assert forming ventures such as roads bridges, establishing huge factories, etc. the capital which is coming to India is more of speculative capital then capital in production (Rana 2009: 373). When trade takes place between a large MNC's and local entity in a poorer country the benefits do not go more to the weaker party with fewer assets, nor are they divide equally, but they go disproportionately to the stronger traders who thereby increase their relative dominance.

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Conclusion

Globalisation makes Indian economy independence and competition between economic in the market, means independence regarding trading in goods and service with the flow of capital so as result domestic economic developments are not depended entirely on domestic policies and market condition, rather, the Indian economy influenced by both domestic and international policies. Due to globalisation, the national economy leads to accelerated growth enhanced stability, sound and stable financial sector. Infrastructure, Banking, media will continue to invite demand and may not be responsible for interest rate fluctuations. Thus, it is concluded that India will continue its onward journey of growth despite global financial uncertainties.

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