Globalization in India: The Emerging Nation Knocking Down the Hurdles

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Abstract

Globalization is the free movement of people, goods, and services across boundaries. This movement is managed in a unified and integrated manner. Further, it can be seen as a scheme to open the global economy as well as the associated growth in trade . Hence, when the countries that were previously shut to foreign investment and trade have now burned down barriers. Globalization is the result of increasing integration of economies around the world . Generally, various factors have been observed as enhancing the globalisation ideology, one of such is the development of the entrepreneurial sector. However, due to the under-development of the entrepreneurial sector in India, the globalisation ideology has suffered setbacks despite the availability of numerous opportunities that would have been hitherto utilized to put the country at vantage point in the global order. It is based on this observation that this paper seeks to look into the challenges and opportunities faced by entrepreneurs in India as they engage in their daily business activities in the globalised world. The paper recommends that government at all levels should provide possible solutions to the challenges hindering entrepreneurial development in the country especially because of the numerous opportunities that exist in the sector which, if properly utilized will benefit the country and make it to be among the gainers in the game of globalisation.

Key words: .Globalization,Growth,Hurdles,Opportunities,

Introduction:

Countries of the world are becoming interdependent on each other, one way or another. Production is becoming increasingly internationalized, with the rapid expansion of multinational corporations. The decrease in informational and communication costs due to information technology revolution has fostered this increased interdependence. These forces, in conjunction with the policies of international financial institutions, have influenced national governments' economic policy formation.India's economy has grown drastically since it integrated into the global economy in 1991. It has drastic impact on India's economical condition. Its average annual rate has grown from 3.5% (1950–1980) to 7.7% (2002–2012).

Indian economy has been proceeding in the track of globalisation in a thoughtful manner.

When the emphasis is on globalization and the Indian economy, one of the names that strikes our mind is Dr. Manmohan Singh. When globalization was fully implemented and experienced in India , he was the finance minister in the 1990s. He was the torch bearer who framed the economic liberalization proposal. Since then, the nation has steadily moved ahead to become one of the supreme economic leaders around the globe.

Reactions which were observed after the introduction of globalization:

- After 1991, the rise in GDP that declined to 13% in 1991 -92 extended momentum in the next five years (1992-2001). Moreover, the annual average rate of growth in GDP was noted to be 6.1%.
- Moreover , export growth shooted up to 20% in 1993-94. For 1994-95, the figures were recorded to be 18.4 %. Export growth figures in recent years have been very remarkable.

Measures taken by the Government of India towards Globalisation:

(a) Automatic approval for foreign direct investment has been raised from the earlier level of 40% to 51% in foreign equity ownerships covering a wide range of industries.

(b) In order to provide access to global market, majority foreign equity holdings up to 51% equity would be allowed explicitly for trading companies which are primarily involved in export focused activities .

(c) Government decided to give automatic authorization for foreign technology agreements for royalty payments up to 5 % of domestic sales or 8 %of export sales or lump sum payment of Rs. 10 million. Automatic approval also given for all other royalty payments to those projects which can generate internally the foreign exchange so required.

(d) The government has followed a change in policy orientation from import substitution to export promotion, reduced tariff rates and eliminate quantitative controls. Moreover, quantitative restrictions were substituted by price-based system.

Other measures introduced in this direction embrace setting up of special economic zones (SEZs), complying with WTO norms and line up with EXIM procedures, removal of disincentives , export promotion through import prerogative .

Growth Experienced By Indian Economy:

The strategy of export-led growth during the last few decades, Indian economy experiences lot of changes in its condition. As a result, Indian exports as a percentage of GDP have increased from 5.8 per cent in 1990-91 to 11.1 per cent in 2004-05 and then to 15.2 per cent in 2007-08. Simultaneously, Indian imports have also increased considerably from 8.8 per cent of GDP to 13.8 per cent and then finally to 23.5 per cent during the same period.

Moreover, foreign direct investment flows which were a mere amount of $ 97 million in 1990-91 increased to $ 46.55 billion in 2011-12. It is also important to look at another major benefit of globalisation, i.e., in terms of sharp increase in the export of invisible items, especially software exports.

A notable achievement of globalisation is the increase in net software export earnings in India to a level to $ 23.41 billion in 2003-04. The volume of software and ITES exports from India grew from Rs 28,350 crore in 2000-01 to Rs 58,240 crore in 2003-04 and then to Rs 1,03,200 crore in 2005-06 showing a growth of 32 per cent over the previous year.

The software export sector has also been able to recruit 3.45 lakh IT professional in 2004-05 as compared to 2.70 lakh professional in 2003-04. Thus as a result of globalisation India has taken a strategy to reach international standards in productivity and thereby competing in the global market effectively with reputation.

Moreover, the structure of Indian economy has also undergone considerable change in the last decade. These include increasing importance of external trade and of external capital flows. The services sector has become a major part of the economy with GDP share of over 50 per cent and the country becoming an important hub for exporting IT services.

The share of merchandise trade to GDP increased considerable to over 35 per cent in 2007-08 from 23.7 per cent recorded in 2003-04. If the trade in services is included the trade ratio is 47 per cent of GDP for 2007-08. Again, the rapid, growth of Indian economy during the period 2003-04 to 2007-08 also made India an attractive destination for foreign capital inflows and net capital inflows that were 1.9 per cent in 2007-08.

Foreign portfolio investment also added buoyancy to the Indian capital markets and Indian corporate began aggressive acquisition spree overseas, which was reflected in high volume of outbound direct investment flows.

Another important dimension of globalisation has been the high degree of external dependence on imported energy sources, especially crude oil with the share of imported crude in domestic consumption exceeding 75 per cent.

Therefore, a major change in international crude prices is bound to impact the Indian economy extensively as happened in early 2008-09 and in early 2013-14. Thus the present trend in globalization in Indian economy has to he analysed seriously from all angles for determining its future policy directions in a most rational manner.

Effects of Globalization:

The adoption of the policy of globalisation in India has resulted the following

(i) Competition:

As a result of globalisation, Indian companies started to face growing competition from free flow of products produced by multi-national companies (MNCs). Unequal competition between the domestic companies and mighty MNCs has resulted closure of weak industrial units both under large, medium and small scale categories.

(ii) Mergers:

Globalisation has resulted growing number of mergers and collaborations of Indian companies with MNCs or TNCs.

(iii) Exports:

India's share of World exports has been increasing slowly from 0.55 per cent in 1990 to 0.75 per cent in 1999 and then to 1.1 per cent in 2005. In the current EXIM Policy (2001-2002), the Government has set an ambitious export target of $ 75 billion by 2004-2005 up from the existing level of $ 43 billion in order to capture 1 per cent of the global trade. This would, however, require the exports to grow at the rate of 18 per cent per annum.

(iv) Trade in Services:

As a result of globalisation India has been able to gain in respect of trade in services, especially in respect of Information Technology industry. Indian software professionals have created a brand image in the global market.

As per the NASSOCAM (National Association of Software and Service Companies) Survey, more than 185 of the Fortune 500 Companies, i.e., almost two out of every five global giants outsource their software requirements from India.

The capability of Indian Software Industry is reflected in the very high capitalisation with a Market Cap of listed Software Companies in India estimated at US $ 55 billion as on 30th June 2000. There is also increasing demand for Indian IT professional from other countries like USA, Germany, Japan and Australia.

Moreover, India's Software Industry has earned the distinction for providing quality services. As on December 1999, 170 Indian Software Companies have acquired international quality certification. Majority of the Multi-national companies operating in the area of information technology have either Software Development Centres or Research and Development Centres located in India.

Further, 30 per cent of the E-commerce starts up during the year 1999 in Silicon Valley, USA were initiated by Indians. Around 500 portals are being launched in India every month.

In export as well as domestic sector, Computer Software is a thrust area and its fastest growing sector. Software exports from India jumped from Rs 10,940 crore in 1998-99 to Rs 36,500 crore in 2001-2002, showing a growth rate of about 233.6 per cent. The domestic software industry has also increased its business from Rs 4,950 crore in 1998-99 to Rs 11,634 crore in 2001-02.

(v) Trade Conditions:

Globalisation has been creating an improved condition of trade for agricultural commodities and textiles, especially cotton textiles produced in India.

Benefits :

1. Globalization has opened new markets for Indian companies to sell their services and products. They have cheap resources such as labor due to which they can compete with other companies at international level.
2. Foreign investors invested in India to establish their businesses due to cheap resources. It will increase output, employment opportunities and economic development of the country.
3. Living standard of people in India has been developed due to increase in the wages of skilled and unskilled labor. The poverty ratio of urban and rural areas has been decreased to a

greater level. These results are due to government policies and strategies to encourage foreign investors to invest in India.

4. Companies are producing quality products at competitive prices due to globalization. This tough competition forces local and international companies to utilize their resources efficiently and effectively to compete at global level.
5. Developing countries have become modernized due to Globalization. They adopt latest technologies and strategies quickly to compete with other companies.
6. Globalization strengthened the economic growth of the country due to increase in exports of the country.
7. Infrastructure has been improved; new employment opportunities have been created due to globalization.

Hurdles:

In India, the note was more mixed between winners and losers. The lives of the educated and the rich had been improved by globalization. The information technology (IT) sector was specifically the most benefited one . But the benefits had not yet reached the many ,and new jeopardies had cropped up for the losers – the socially underprivileged and the rural poor. Substantial numbers of "non-perennial" poor, who had worked hard to over come poverty, were finding their gains reversed . Participants at the dialogue were anxious about globalization which could erode values such as democracy and social justice. Authority was shifting from elected local institutions to unaccountable transnational bodies. Western perceptions started dominating global media and were not aligned with local outlooks and they stimulated consumerism in the midst of extreme poverty and was hazardous to cultural and linguistic diversity.

1. Globalization can damage environment of India due to the establishment of industry at large scale. It has brought water and air pollution e.g. Delhi is one of the most polluted cities of the world.
2. Profits earned from the business will move to the foreign countries although investment of foreigner will bring economic prosperity for short term. The long term advantages will be attained by the foreigners. In recession periods investors withdraw their funds which can create critical economic conditions for the country.
3. Human resources can be exploited in India by multinational firms. Moreover they can use natural resources inefficiently and ineffectively. Foreign investors might think that it is not in their interest to care for the resources of the country.
4. The entrance of overseas giants can cause closure of the local firms because they can invest more resources as compare to the local or small businesses. They might have other competitive advantages on the local firms due to which they can win the market of the country. The small firms will not be able to compete with them at such scale therefore they would be forced to close their businesses.

Opportunities:

Globalization has spurred the spread of new technology, helping to make economies greener and more productive.

Globalization has helped to reduce gender wage discrimination and giving new opportunities to women.

Globalization has improved the quality of management in firms and the working conditions for people.

Conclusion:

What could be deduced from the general discussion above is that globalisation is an objective socio-economic policy which could be a source of pain or gain to the society. This is because of its ability to make or mar the socio-economic standard of a country. However, for it to be a pain or gain depends on how the policy is been handled by the government and by extension the mass of the people in the society. Hence, utilizing these opportunities become necessary because the country cannot afford to stand aloof in the game because such a stance will not make the country stagnant in terms of socio-economic development but will be taking it aback while other responsible countries continue to soar in economic surplus.

In future, it will be worthwhile to explore the effect of liberalization on other climatic aspects, such as water pollution and land salinity, with the help of large scientific databases. But the fact remains that only through trade can countries replace the local production of pollution intensive goods with imports and reduce CO2 emissions. Countries that can replace the production of pollution intensive goods by imports will reduce CO2 emissions on this count. The growth effect, however, will go the other way. Countries with different trade patterns may suffer on both counts. India is possibly a mixed case and more detailed analysis is needed to examine the hypothesis.

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