

Globalisation and Economic Growth in India

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Abstract

The term globalisation refers to the integration of the economy of the nation with the world economy. It is a multifaceted aspect. It is a result of the collection of multiple strategies that are directed at transforming the world towards a greater interdependence and integration. It includes the creation of networks and pursuits transforming social, economical, and geographical barriers. Globalisation tries to build links in such a way that the events in India can be determined by the events happening distances away. To put it in other words, globalisation is the method of interaction and union among people, corporations, and governments universally. India is one of the countries that succeeded significantly after the initiation and implementation of globalisation. The growth of foreign investment in the field of corporate, retail, and the scientific sector is enormous in the country. It also had a tremendous impact on the social, monetary, cultural, and political areas. In recent years, globalisation has increased due to improvements in transportation and information technology. With the improved global synergies, comes the growth of global trade, doctrines, and culture. Indian society is changing drastically after urbanisation and globalisation. The economic policies have had a direct influence in forming the basic framework of the economy. Economic policies established and administered by the government also performed an essential role in planning levels of savings, employment, income, and investments in the society. Cross country culture is one of the critical impacts of globalisation on Indian society. It has significantly changed several aspects of the country, including cultural, social, political, and economical. However, economic unification is the main factor that contributes maximum to a country's economy into an international economy.

Keywords: *globalisation, economy, India, growth, society, culture, international, monetary, social.*

Introduction

Economic reforms refer to the fundamental changes that were launched in 1991 with the plan of liberalising the economy and quickening its rate of economic growth. The Narasimha Rao Government, in 1991, started the economic reforms in order to rebuild internal and external faith in the Indian economy. The reforms intended at bringing in larger cooperation of the private sector in the growth method of the Indian economy. Policy changes were proposed with regard to technology up-gradation, industrial licensing, removal of restrictions on the private sector, foreign investments, and foreign trade. The essential features of the economic reforms are – Liberalisation, Privatisation, and Globalisation, commonly known as LPG. [1,2]

Advantages of Globalisation in India

Increase in employment: With the opportunity of special economic zones (SEZ), there is an increase in the number of new jobs available. Including the export processing zones (EPZ) centre in India is very useful in employing thousands of people.

Another additional factor in India is cheap labour. This feature motivates the big companies in the west to outsource employees from other regions and cause more employment.

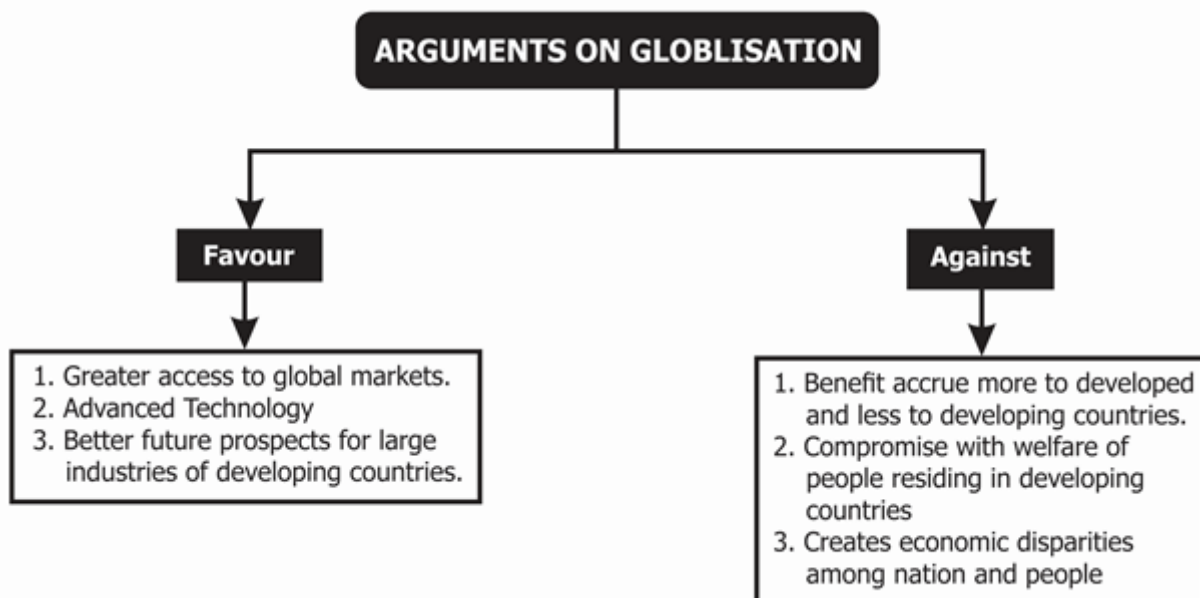
Increase in compensation: After globalisation, the level of compensation has increased as compared to the domestic companies due to the skill and knowledge a foreign company offers. This opportunity also emerged as an alteration of the management structure.

High standard of living: With the outbreak of globalisation, the Indian economy and the standard of living of an individual has increased. This change is notified with the purchasing behaviour of a person, especially with those who are associated with foreign companies. Hence, many cities are undergoing a better standard of living along with business development. [3,4]

Impact of Globalisation

Outsourcing: This is one of the principal results of the globalisation method. In outsourcing, a company recruits regular service from the outside sources, often from other nations, that was earlier implemented internally or from within the nation (like computer service, legal advice, security, each presented by individual departments of the corporation, and advertisement). As a kind of economic venture, outsourcing has increased, in recent times, because of the increase in quick methods of communication, especially the growth of information technology (IT). Many of the services such as voice-based business processes (commonly known as BPS, BPO, or call centres), accountancy, record keeping, music recording, banking services, book transcription, film editing, clinical advice, or teachers are being outsourced by the companies from the advanced countries to India. [5,6]

Debate on Globalisation

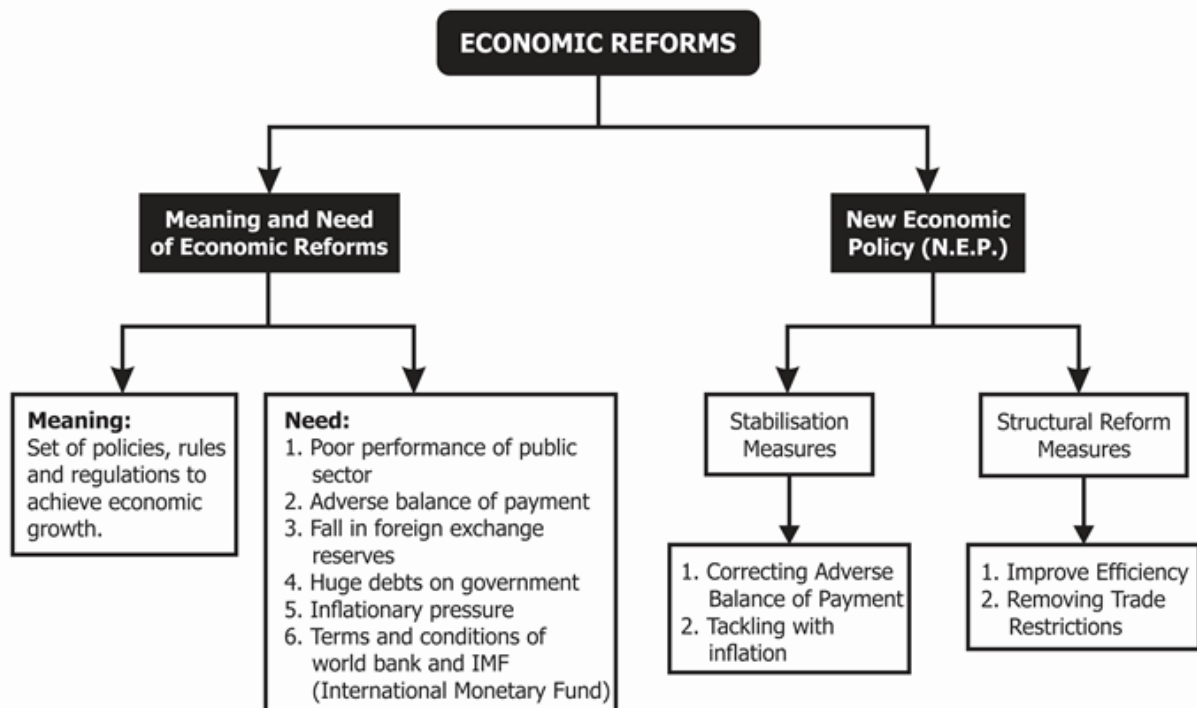


Discussion

Need for Economic Reforms

- ✓ Poor performance of the industrial sector
- ✓ Adverse balance of payments

- ✓ Rise in fiscal deficit
- ✓ Inflation
- ✓ The Gulf War[7,8]



Economic reforms were introduced in India because of the following reasons:

Poor performance of the public sector

- Public sector was given an important role in development policies during 1951–1990.
- However, the performance of the majority of public enterprises was disappointing.
- They were incurring huge losses because of inefficient management.

Adverse BoP or imports exceed exports

- ✓ Imports grew at a very high rate without matching the growth of exports. [9,10]
- ✓ Government could not restrict imports even after imposing heavy tariffs and fixing quotas.
- ✓ On the other hand, exports were very less due to the low quality and high prices of our goods as compared to that of foreign goods.

Fall in foreign exchange reserves

- Foreign exchange (foreign currencies) reserves, which the government generally maintains to import petrol and other important items, dropped to the levels that were not sufficient for even a fortnight.
- The government was not able to repay its borrowings from abroad. [11,12]

Huge debts on government

- ✓ Government expenditure on various developmental works was more than its revenue from taxation.
- ✓ As a result, the government borrowed money from banks, public and international financial institutions like the IMF, etc.

Inflationary pressure

- ✓ There was a consistent rise in the general price level of essential goods in the economy.
- ✓ To control inflation, a new set of policies were required.

Terms and conditions of the World Bank and the IMF

India received financial help of \$7 billion from the World Bank and the IMF on an agreement to announce its New Economic Policy.

Economic Challenge

After India got independence, there was an impact on the Indian economy. The agriculture sector had surplus labour but less productivity. On the other hand, the industry sector was looking out for modern technologies, investments, and capacity building. Infrastructure also needed expansion, upgradation, and public orientation. [13,14]

Economic Issues in India

Population growth: It is the current economic issue in India as it is the second-most populated nation in the world, after China. India's birth rate is very high as compared to the death rate. Many times, the government has to take care of the basic requirements of clothing, food, medicine, shelter, and schooling, etc. These circumstances increase the economic burden of the nation.

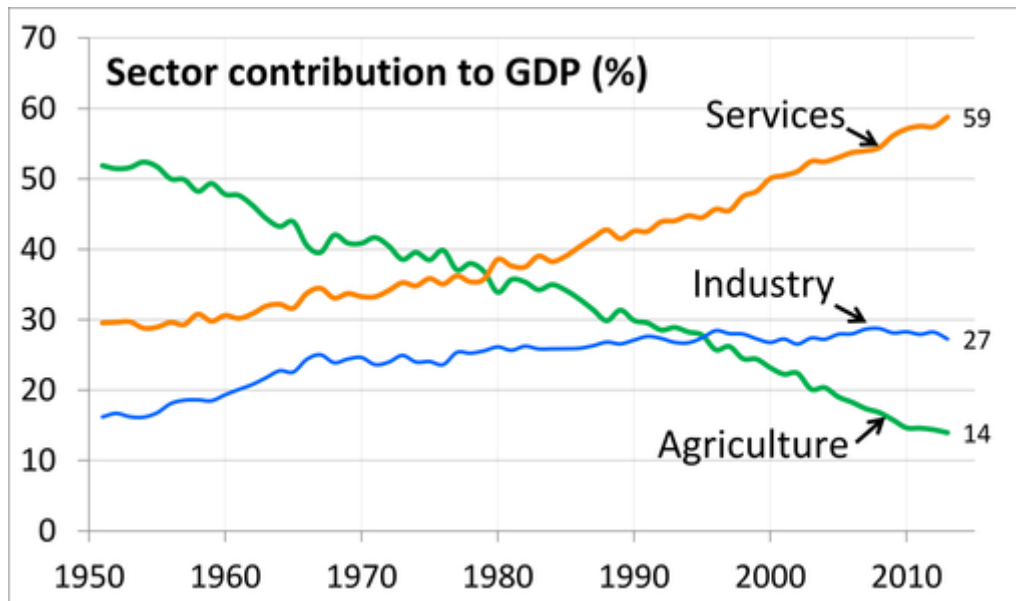
The rapid growth of unemployment: The large amount of unemployed population also adds to India's economic issues.

Rate of capital formation: Due to the high population, India always had a scarcity of capital. In recent years, there has been a moderate but constant development in capital formation. [15,16]

Inequality in wealth distribution: There is a huge disparity between the rich and the poor, which is one of the major economic issues in India.

Results**COVID-19 pandemic and aftermath (2020-present)**

During the COVID-19 pandemic, numerous rating agencies downgraded India's GDP predictions for FY21 to negative figures, signalling a recession in India, the most severe since 1979. According to a Dun & Bradstreet report, the country is likely to suffer a recession in the third quarter of FY2020 as a result of the over 2-month long nation-wide lockdown imposed to curb the spread of COVID-19. Historically, India has classified and tracked its economy and GDP in three sectors: agriculture, industry, and services. Agriculture includes crops, horticulture, milk and animal husbandry, aquaculture, fishing, sericulture, aviculture, forestry, and related activities. Industry includes various manufacturing sub-sectors. India's definition of services sector includes its construction, retail, software, IT, communications, hospitality, infrastructure operations, education, healthcare, banking and insurance, and many other economic activities. [17,18]



Contribution to GDP of India by economic sectors of the Indian economy have evolved between 1951 and 2013, as its economy has diversified and developed.





In March 1953, the Indian Parliament passed the Air Corporations Act to streamline and nationalise the then existing privately owned eight domestic airlines into Indian Airlines for domestic services and the Tata group-owned Air India for international services. The International Airports Authority of India (IAAI) was constituted in 1972 while the National Airports Authority was constituted in 1986. The Bureau of Civil Aviation Security was established in 1987 following the crash of Air India Flight 182. Between 1985 and 2018 20,846 deals have been announced in, into (inbound) and out of (outbound) India. This cumulates to a value of US\$618 billion. In terms of value, 2010 has been the most active year with deals worth almost 60 bil. USD. Most deals have been conducted in 2007 (1,510). [19,20]

Here is a list of the top 10 deals with Indian companies participating:

Acquiror Name	Acquiror Mid Industry	Acquiror Nation	Target Name	Target Mid Industry	Target Nation	Value of Transaction (\$mil)
Petrol Complex Pte Ltd	Oil & Gas	Singapore	Essar Oil Ltd	Oil & Gas	India	12,907.25
Vodafone Grp Plc	Wireless	United Kingdom	Hutchison Essar Ltd	Telecommunications Services	India	12,748.00
Vodafone Grp PLC-Vodafone Asts	Wireless	India	Idea Cellular Ltd-Mobile Bus	Wireless	India	11,627.32
Bharti Airtel Ltd	Wireless	India	MTN Group Ltd	Wireless	South Africa	11,387.52

Bharti Airtel Ltd	Wireless	India	Zain Africa BV	Wireless	Nigeria	10,700. 00
BP PLC	Oil & Gas	United Kingdom	Reliance Industries Ltd-21 Oil	Oil & Gas	India	9,000. 00
MTN Group Ltd	Wireless	South Africa	Bharti Airtel Ltd	Wireless	India	8,775. 09
Shareholders	Other Financials	India	Reliance Inds Ltd-Telecom Bus	Telecommunications Services	India	8,063. 01
Oil & Natural Gas Corp Ltd	Oil & Gas	India	Hindustan Petro Corp Ltd	Petrochemicals	India	5,784. 20
Reliance Commun Ventures Ltd	Telecommunications Services	India	Reliance Infocomm Ltd	Telecommunications Services	India	5,577. 18

47 Indian companies were listed in the Forbes Global 2000 ranking for 2015. The 10 leading companies were:

World Rank	Company	Logo	Industry	Revenue (billion \$)	Profits (billion \$)	Assets (billion \$)	Market Value (billion \$)
142	Reliance Industries		Oil & Gas Operations	71. 7	3. 7	76. 6	42. 9
152	State Bank of India		Banking	40. 8	2. 3	400. 6	33
183	Oil and Natural Gas Corporation		Oil & Gas Operations	28. 7	4. 4	59. 3	43. 7
263	Tata Motors			42. 3	2. 7	34. 7	28. 8
283	ICICI Bank		Banking	14. 2	1. 9	124. 8	30
431	NTPC		Utilities	12. 9	1. 9	35. 4	20. 2
463	Tata Steel		Materials	32. 77	3. 08	31. 16	2. 46
349	Indian Oil Corporation		Oil & Gas Operations	74. 3	1. 2	44. 7	14. 6
485	HDFC		Banking	8. 4	1. 4	84. 3	41. 6
485	TCS		Information Technology	15. 1	3. 5	11	80. 3

Corruption has been a pervasive problem in India. A 2005 study by Transparency International (TI) found that more than half of those surveyed had first-hand experience of paying a bribe or peddling influence to get a job done in a public office in the previous year. [439] A follow-up study in 2008 found this rate to be 40 percent. In 2011, TI ranked India at 95th place amongst 183 countries in perceived levels of public sector corruption. By 2016, India saw a reduction in corruption, and its

ranking improved to 79th place. In 1996, red tape, bureaucracy, and the Licence Raj were suggested as a cause for the institutionalised corruption and inefficiency. [443] More recent reports suggest the causes of corruption include excessive regulations and approval requirements, mandated spending programs, monopoly of certain goods and service providers by government-controlled institutions, bureaucracy with discretionary powers, and lack of transparent laws and processes. Computerisation of services, various central and state vigilance commissions, and the 2005 Right to Information Act – which requires government officials to furnish information requested by citizens or face punitive action – have considerably reduced corruption and opened avenues to redress grievances. In 2011, the Indian government concluded that most spending fails to reach its intended recipients, as the large and inefficient bureaucracy consumes budgets. India's absence rates are among the worst in the world; one study found that 25% of public sector teachers and 40% of government-owned public-sector medical workers could not be found at the workplace. Similarly, many issues are facing Indian scientists, with demands for transparency, a meritocratic system, and an overhaul of the bureaucratic agencies that oversee science and technology. India has an underground economy, with a 2006 report alleging that India topped the worldwide list for black money with almost \$1,456 billion stashed in Swiss banks. This would amount to 13 times the country's total external debt. [21,22]

These allegations have been denied by the Swiss Banking Association. James Nason, the Head of International Communications for the Swiss Banking Association, suggested "The (black money) figures were rapidly picked up in the Indian media and in Indian opposition circles, and circulated as gospel truth. However, this story was a complete fabrication. The Swiss Bankers Association never published such a report. Anyone claiming to have such figures (for India) should be forced to identify their source and explain the methodology used to produce them. " A recent step taken by Prime Minister Modi, on 8 November 2016, involved the demonetization of all 500 and 1000 rupee bank notes (replaced by new 500 and 2000 rupee notes) to return black money into the economy. [22]

Conclusions

The development of Indian security markets began with the launch of the Bombay Stock Exchange (BSE) in July 1875 and the Ahmedabad Stock exchange in 1894. Since then, 22 other exchanges have traded in Indian cities. In 2014, India's stock exchange market became the 10th largest in the world by market capitalisation, just above those of South Korea and Australia. [470] India's two major stock exchanges, BSE and the National Stock Exchange of India, had a market capitalisation of US\$1. 71 trillion and US\$1. 68 trillion as of February 2015, according to the World Federation of Exchanges, which grew to \$3. 36 trillion and \$3. 31 trillion respectively by September 2021. The initial public offering (IPO) market in India has been small compared to NYSE and NASDAQ, raising US\$300 million in 2013 and US\$1. 4 billion in 2012. Ernst & Young stated that the low IPO activity reflects market conditions, slow government approval processes, and complex regulations. Before 2013, Indian companies were not allowed to list their securities internationally without first completing an IPO in India. In 2013, these security laws were reformed and Indian companies can now choose where they want to list first: overseas, domestically, or both concurrently. Further, security laws have been revised to ease overseas listings of already-listed companies, to increase liquidity for private equity and international investors in Indian companies. [23]

Economic development in India has had a varying effect on women depending on their age, education, and location. Traditionally in India women's role is in the household. As girls they are raised to work for and better their family. Their work, therefore, mostly consists of household

duties and is not a part of the formal economy. Because of this India consistently compares poorly to other countries as far as female employment rates. Currently India ranks 11th from the bottom in female labor participation out of the 131 countries with data available. In addition, women who do work experience discrimination; on average they make 62% of what their male counterparts make for the same position. [24]

Since the 1990s there has been significant economic growth and expansion in India, this has had an effect on how women operate in the workforce there. Women's labor force participation has fallen from 37% in 2004–2005 to 27% in 2009–2019. [46] So with the recent economic growth and development in India, the country has not seen an equal overall growth in jobs for women. This can be broken down further, however, because certain demographics of women in India have seen job rates decline while some have seen them rise. Informal work, which is not included in job rate percentages, has risen for poor, rural, uneducated women while their formal job rate has declined; Microcredit and social help groups have helped poor women connect and work together in the informal job sector. Women with higher education who mostly live in urban areas have seen a rise in job rates. An example of a booming industry for educated women in India is call centers. Many Western countries outsource their call center jobs to India, and these call centers have found that women often have more success at these positions than their male counterparts. These positions give young women in India a chance at independence from their family and the traditional role which women play. There are organizations in India that were created to support women's education and women in the workforce. In 1985 the Ministry of Human Resource Development was founded to improve female literacy rates, and to support women looking to join the work force. Similarly, in 1972 SEWA, the Self Employed Women's Association, was formed by self-employed and low wage women workers to support each other and organize to advocate for their rights. [25]

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