Globalisation and economic development

Naib Singh*
Assistant Professor, Department of Commerce, Govt. P. G. College, Ambala Cantt, Haryana, India
Correspondence Author: Naib Singh

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Abstract
In globalisation, the restriction on movement of human resources among the nations is removed. For this act, the immigration policy is made liberalised so that people can come in the country and go abroad easily. This feature helps the nations to hire cheap labour from other countries. Movement of labour also brings the skill and expertise with itself. Due to relaxation in trade policy, the import and export of goods and services becomes liberal. Due to absence of excessive control of government, it becomes very easy to import required goods and services as the result of which innovative products are available in the economy. Similarly, excessive production can be exported to other countries which earn the foreign exchange. This paper attempts to analyse the effect of globalization on the economic development by considering the globalization measures of Government of India.

Keywords: globalisation, foreign trade policy, exim bank, foreign direct investment

Introduction
Globalisation refers to the process of integration of the economy of a nation with the world economy. It includes free trade and free movement of labour and capital. In this policy, the economic sectors are opened by removing various restrictions for the global or multinational corporations.

According to WHO, "Globalisation is the increased interconnectedness and interdependence of people and countries. It is generally understood to include two inter-related elements: the opening of international borders to increasingly fast flows of goods, services, finance, people and ideas; and the changes in institutions and policies at national and international levels that facilitate or promote such flows."

Objectives of the study
This paper is based on the descriptive pattern. For studying the effect of globalization on economic development, the economy of India has been considered in the paper. First of all introduction of globalisation has been given. Middle segment of the study is related to the analytic view of the effect on globalization on Indian economy. Concluding part includes the final observations of the author after studying the outcomes of globalization on the various sectors of the economy in the country.

Globalisation strategy
Government of India has adopted following measures for the globalisation process:

The new Foreign Trade Policy, 2015-20 has made the provision of EPCG scheme to facilitate import of capital goods including technological goods for producing goods and services in the country for increasing the competitiveness of India export Industry. For increasing the country's share in world trade, the government has introduced many liberal measures in its foreign trade policy. These measures have increased the exports of goods and services in many important areas. In the new Foreign Trade Policy (FTP), 2015-20, the government has increased the scope of Merchandise Exports from India Scheme MEIS) and Service Exports from India Scheme (SEIS).

Government has eased the corporate norms for raising the funds from foreign financial markets by issuing Global Depository Receipts (GDRs), American Depository Receipts (ADRs) and Foreign Currency Convertible Bonds (FCCBs). In the new economic policy, the government is moving towards the privatisation of public sector. Various industrial sector reserved for public sector has now been opened for private sector. Now, there are only two public sectors. Government has announced to privatise all public sector undertakings into non-strategic sectors.

For the purpose of globalisation, government has promoted the liberalisation process in many major areas like foreign trade, foreign investment, licensing, taxation and foreign exchange etc. MRTP Act 1969 has been converted into Competition Act 2002. Industrial licensing has been removed for many prominent areas as the result of which the companies can start the business easily and quickly. Investment limits for the small-scale industries has been increased for making them more progressive. Government has introduced various effective reforms in financial sector. Financial institutions and financial markets have been made more proficient under new policy. Various institutions like Security Exchange Board of India (SEBI), Small Industries Development Bank of India (SIDBI), Insurance Regulatory and development Authority (IRDA), Export-Import Bank of India (EXIM Bank), Industrial Finance Corporation of India (IFCI) and Reserve Bank of India (RBI) have been strengthened for this purpose.

Positive effects of globalisation on Indian economy
After globalisation, Indian economy perceived a substantial increase in foreign investment as follows:

1. **Foreign Direct Investment (FDI)**
Foreign direct investment is investment of capital by the foreign investors in domestic country. Foreign investors invest this capital directly in the industry. FDI is also known as portfolio investment, overseas investment and rentier investment. Foreign direct investment has two route namely, the Government route and automatic route.

- **FDI through the government route:** There are certain sectors in which foreign investor has to the permission of the Government, then this category of FDI is considered under the category of Government Route. A Foreign investor can obtain the permission for the investment from the Foreign Investment Promotion Board (FIPB).
- **FDI through the automatic route:** The foreign investor can invest in Indian industrial sector without permission of the Government in case of automatic route. The different industrial sectors have been specified in the consolidated FDI policy in which the foreign investment does not require prior permission of the Central Government.

2. **Portfolio investment**
When foreign firms and foreign institutional investors (FIIs) invest in Indian corporations through share and debt capital. Then it is termed as the portfolio investment. Following table reflects the foreign investment trends in India.

Table 1: Foreign investment in India (Rs. in crore)

Year	Foreign Direct Investment (Inward FDI)	Portfolio Investment (Net)
2015-16	294258	-27203
2016-17	283292	50482
2017-18	253977	142632
2018-19	301932	-1857
2019-20 (April-September)	188010	51121

Source: Economic Survey, 2019-20

3. **Increase in foreign trade**
After globalisation process, the exports and imports of India have increased tremendously. The exports sector has attained the commendable position in recent years. In 1990, India's share in world exports was only 0.5 per cent that has increased to 1.7 per cent in 2017. Following table depicts the trends of India's exports:

Table 2: India's share in world exports

Year	India' Percentage Share in World Exports
1990	0.5
2000	0.7
2005	1.0
2010	1.5
2014	1.7
2015	1.6
2016	1.7
2017	1.7

Source: Economic Survey, 2019-20

4. **Emergence of Foreign Collaborations**
After 1991, many Indian companies have entered into foreign collaboration in the area of investment and technology. These collaborations are promoting international business culture in the country. These collaborations also develop the human capital of the domestic country.

5. **Development of technology**
Business firms from foreign countries employ the latest technology in their business in the domestic country. Indigenous firms are also affected by the technology that promotes the latest methods of production and marketing.

6. **Growth of capital market**
Globalisation promotes the capital market of the nation. After the economic reforms of 1991, foreign corporations have started to invest Indian capital market.

7. **Employment generation**
Globalisation process of Indian government has completely changed the employment picture in all the sectors. Significant increase in employment has been seen in agriculture, communication, technology, tourism, hotel, business processing and education sector. Skill oriented employment has also increased in the significant manner.

8. **Growth of service sector**
Indian service sector is performing very well at global level since past two decades. USA, UK and Japan are the major importers of Indian services. India has become the export hub for the software services. According to WTO, India has become the 8th largest commercial service provider in case of commercial services exports.

9. **Growth of agriculture**
After economic reforms in 1991, the farmers in India started the use of new technology, hybrid seeds and latest machinery in agriculture. Due to liberal norms of foreign, the exports of spices have achieved new heights. Farmers are getting new exposure related to innovating agriculture from developed countries in the modern liberalised environment.

10. **Increase in foreign capital**
Abolition of various restrictions on inflow of foreign capital has encouraged the multinational corporation to

invest in India. A significant amount of foreign direct investment and portfolio investment has been received in the country.

11. Poverty reduction

After 1991, the government implemented many employment oriented programs and policies in the country. Under skill development programme the training of skill development is provided to people. Arrival of MNCs in India has generated employment in every area. Service sector has provided employment to the significant portion of people.

12. Increase in GDP rate

GDP is directly linked with the production of goods and services in the economy. After the globalisation process the goods and services has increased in all the prominent sector of economy. In 1991, the GDP rate of India was 1.06 per cent that has increased to 5.02 per cent in 2019.

Conclusion

When government started dismantling the foreign exchange control under this policy, then partially convertibility of the rupee was allowed to introduce the purchase and sale of foreign currency. This measure was implemented for increasing the foreign exchange reserves in the country. Prior globalisation, there were so many restrictions on inflow of foreign investment in the country. After 1991, the rules regarding foreign direct investment (FDI) have been relaxed. Now many any sectors of the economy are opened for 100 per cent FDI. These measures are attracting various progressive multinational organisations in India. Government has liberalised its norms related to the import of technology in the country. Government has allowed the import of technology in the various industrial sectors without prior permission of Reserve Bank of India. After the process of liberalisation, significant inflow of technology has taken place in India. For promoting the foreign trade, the government has reduced tariff since 1991. This was the specific measure of export promotion under liberalisation. After the liberalisation process, government of India has made simple procedure for setting the joint ventures by multinationals. Government is offering lucrative incentives to foreign investors as the result of which they are considering India as interesting investment destination. In India, Maruti Suzuki India Ltd. is the successful Joint venture of Maruti Udyog Ltd of India and Suzuki Motor Corporation of Japan. In this way, we can point out that the globalisation in India is facilitating the path of progress which is definitely a big boost to economic development.

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