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Review Paper

Impact of globalisation on Indian economy

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ABSTRACT

India opened up the economy in the early nineties following a major crisis that led by a foreign exchange crunch that dragged the economy close to defaulting on loans. The response was a slew of domestic and external sector policy measures partly prompted by the immediate needs and partly by the demand of the multilateral organisations. The new policy regime radically pushed forward in favour of a more open and market oriented economy. This paper explores the contours of the on-going process of globalization mainly on agriculture and external sector.

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Globalisation implies opening up of world trade, development of advanced means of communication, internationalisation of financial markets, growing importance of MNC's, population migrations and more generally increased mobility of persons, goods, capital, data etc. The term globalization refers to the integration of economies of the world through uninhibited trade and financial flows, as also through mutual exchange of technology and knowledge. In context to India, this implies opening up the economy to foreign direct investment byproviding facilities to foreign companies to invest in different fields of economic activity in India, removing constraints and obstacles to the entry of MNCs in India, allowing Indian companies to enter into foreign collaborations and also encouraging them to set up joint ventures abroad; carrying out massive import liberalisation programs by switching over from quantitative restrictions to tariffs and import duties, therefore globalization has been identified with the policy reforms of 1991 in India

Indian economy had experienced major policy changes in early 1990s. The new economic reform, popularly known as, Liberalization, Privatization and Globalization (LPG model) aimed at making the Indian economy as fastest growing economy and globally competitive. The series of reforms undertaken with respect to industrial sector, trade as well as financial sector aimed at making the economy more efficient. The era of reforms has also ushered in a remarkable change in the Indian mindset, as it deviates from the traditional values held since independence in 1947, such as self-reliance and socialistic policies of economic development, which mainly due to the inward looking restrictive form of governance, resulted in the isolation, overall backwardness and inefficiency of the economy, amongst a host of other problems. This, despites the fact that India has always had the potential to be on the fast track to prosperity. Now, that India is in the process of restructuring her economy, with aspirations of elevating herself from her present desolate position in the world, the need to speed up her economic development is even more imperative.

Measures taken towards globalisation:

Devaluation:

The first step towards globalization was taken with the announcement of the devaluation of Indian currency by 18-19 per cent against major currencies in the international foreign exchange market. Infact, this measure was taken in order to resolve the BOP crisis.

Disinvestment:

In order to make the process of globalization smooth, privatization and liberalisation policies are moving along as well. Under the privatization scheme, most of the public sector undertakings have been/ are being sold to private sectors.

Dismantling of the industrial licensing regime:

At present, few industries are under compulsory