IMPACT OF GLOBALIZATION ON INDIAN TRADE

Prof. Jayavantha Nayak[1], Radhika K G[2]

[1]*Professor, Department of Economics, University College, Karnataka, India*
[2]*Guest Faculty, Department of Commerce, University College, Karnataka, India*

ABSTRACT

In India, economic reforms initiated in 1991 aimed to enhance efficiency, productivity, and profitability within the economy. Globalization catalyzed improving technology and skills, facilitating the integration of India's economy with the global market. The primary goal of globalization is to foster a competitive environment that boosts productivity and efficiency. International trade plays a crucial role in this process. Over the years, governments across many countries have progressively opened their economies to international trade—through multilateral trading systems, increased regional cooperation, and various domestic reform programs. Trade has enabled nations to benefit from specialization, allowing economies to operate more efficiently. It has increased productivity, facilitated the dissemination of knowledge and new technologies, and expanded consumer choices. In response to global trends, India has gradually liberalized its economy. During the initial decade of globalization, India's imports grew at a faster rate than its exports; however, in recent decades, export growth has outpaced that of imports. This study focuses on analyzing the impact of globalization on Indian trade.

Keywords: *Globalization, Export, Import, Economy, Technology*

INTRODUCTION

The Policies have a significant impact on practices and guide actions toward achieving desired goals. Major simultaneous changes in policy are known as reforms. Economic reform refers to changes introduced by the government aimed at improving the country's economy. This includes implementing innovative policies that eliminate market barriers, encourage private sector participation, reduce the fiscal deficit, increase exports, and decrease imports, all with the goal of boosting economic growth. Since 1991, the Indian government has adopted a policy framework of liberalization, privatization, and globalization, commonly referred to as the "LPG Model of Growth." The primary objective of the LPG policy is to foster a competitive environment that enhances productivity and efficiency in the Indian economy.
International trade is an integral process of globalization. Over many years, most countries have increasingly opened their economies to international trade, whether through the multilateral trading system, increased regional cooperation or as part of domestic reform programs. Trade has allowed nations to benefit from specialization and economies to produce at a more efficient scale. It has raised productivity, supported the spread of new technologies and enriched the range of choices available to consumers. In response to the global trend India has steadily opened up its economy. Till the early 1990s, India was a closed economy average tariffs exceeded 200.0 percent, quantitative restrictions on imports were extensive, and there were stringent restrictions on foreign investment. During 1990-1991 to 2000-2001, India’s exports recorded compound growth rate of 7.6 percent and imports recorded 9.2 percent (**Economic survey, 2020).** With this background it will be interesting to analyze the impact of globalization policy on Indian trade.

OBJECTIVE

The main aim of this paper is to analyze the impact of globalization on Indian trade. The specific objectives are;

1. To examine the globalization process in India.
2. To analyze the impact of globalization on Indian trade.

RESEARCH METHODOLOGY

The paper is descriptive and analytical. Descriptive in the sense, the globalization process after implementation of New Economic Policy 1991 is described. Analytical because the second part of the paper deals with data analysis of Indian trade and to identifies the transformation in trade. Both export and import trends are analyzed and compared the trends before and after globalization policy (1991).

CONCEPT OF GLOBALIZATION

Globalization is understood as the increase in transactions and interdependence among countries. It refers to the process of integrating governments, cultures, and financial markets through international trade, creating a single global market. Globalization encompasses a network of economic, cultural, social, and political connections that transcend national boundaries. Several forces influence globalization, including the global economy and multinational corporations that control assets, sales, production, and employment. This process has led to the development of global commodity chains, where internationally linked economic connections unite corporations for manufacturing and marketing purposes.

Many scholars and academicians from the field of social sciences have defined the concept of globalization from the different perspectives. **According to Guy Brainbant,"** The process of globalization not only includes opening up of world trade, development of advanced means of communication, internationalization of financial markets, growing importance of MNCs (Multinational Companies), population migrations and more generally increased mobility of persons, goods, capital, data and ideas but also infections, diseases and pollution". **Cerny has defined** "Globalization as a set of economic and political structures and processes deriving from the changing character of the goods and assets that comprise the base of the international political economy - in particular, the increasing structural differentiation of those goods and assets."

Globalization refers to the process of opening up a country's economy to facilitate investments from foreign companies in various sectors in India. This involves removing barriers and obstacles for multinational corporations (MNCs) wishing to enter the Indian market, allowing Indian companies to pursue foreign collaborations, and encouraging them to establish joint ventures abroad. Additionally, massive import liberalization programs have been implemented, transitioning from quantitative restrictions to tariffs. Import duties have been significantly reduced, and rather than relying heavily on export incentives, the focus has shifted to using exchange rate adjustments to promote exports.

IMPACT OF GLOBALIZATION ON INDIAN ECONOMY

Globalization is a process of global economic, political and cultural integration. "The history of globalization goes back to the second half of the twentieth century, the development of transport and communication technology led to situation where national borders appeared to be too limiting for economic activity" **(Economic Globalization in Developing Countries, 2002).** Globalization plays a significant role in developing countries. It offers several advantages, including technological advancements, political influences, improvements in health systems, and considerations of social and environmental factors. Globalization has opened up new opportunities for these countries, such as the potential for technology transfer, greater access to developed markets, and improvements in productivity and living standards. However, globalization also presents new challenges, including environmental degradation, instability in commercial and financial markets, and increased inequality both across and within nations.

The emergence of globalization is closely linked to the progress of the Indian economy. In response to various internal and external pressures, India made the bold decision to implement economic reforms that effectively ended the license raj and opened up the private sector. These reforms aimed to reduce both tariff and non-tariff barriers, relax foreign direct investment (FDI) regulations, and reform the exchange rate and banking systems. As a result, trade and investment relations with other countries improved, leading to an influx of foreign investment. By twenty-first century, it was impossible to reverse India's economic growth, which had been on the rise. India has emerged as the twelfth-largest economy globally when measured by GDP at market rates and the fifth-largest when assessed in terms of purchasing power parity. Currently, the Indian economy ranks as the fourth largest in the world, behind the U.S., China, and Japan. However, India is poised to surpass Japan in the coming years. Continuous trade and investment reforms will be crucial to sustaining India's economic progress in the future. The impact of globalization on developing nations can be understood through the following aspects:

- Economic and Trade Processes
- Education and Health Systems

- Cultural Effects

Economics and Trade Processes

Globalization has played a significant role in helping developing countries achieve economic growth. In the past, trade barriers prevented these nations from engaging effectively with the global economy. However, globalization has led to the World Bank and other international organizations encouraging developing countries to implement market reforms and make substantial changes through large loans. As a result, many developing nations have started to open their markets by removing tariffs and liberalizing their economies. This shift has attracted investments from developed countries, creating job opportunities for impoverished populations. Consequently, globalization has strengthened the relationships between developed and developing nations, fostering mutual dependence between them. According to **Thirlwall (2015)** "Developing countries depend on developed countries for resource flows and technology, but developed countries depend heavily on developing countries for raw materials, food and oil, and as markets for industrial goods". The most important advantages of globalization are goods and people are transported easier and faster as a result free trade. On the other hand, developed countries set up their companies and industries to the developing nations to take advantages of low wages and this causing pollution in countries with poor regulation of pollution. Furthermore, setting up companies and factories in the developing nations by developed countries affect badly to the economy of the developed countries and increase unemployment.

Education and Health Systems

Globalization has played a significant role in developing the health and education systems of developing countries. Health and education are fundamental objectives for improving any nation, and there is a strong relationship between economic growth and these systems. As economies grow, living standards and life expectancy in developing nations improve. With increased wealth, poorer nations can provide better healthcare services and sanitation for their citizens. Furthermore, governments in developing countries can allocate more funds to health and education, which results in a decrease in illiteracy rates. This positive trend is evident in many developing countries where illiteracy rates have dropped recently. Indeed, the living standards and life expectancy in these nations have increased due to the economic benefits brought about by globalization. According to the **World Bank (2004)** "With globalization, more than 85.0 percent of the world's population can expect to live for at least sixty years and this is actually twice as long as the average life expectancy 100 years ago". By globalization, there are many international organizations, such as, Non-governmental Organization (NGO), World Health Organization (WHO) and UNESCO, trying to eliminate illiteracy and deadly diseases in the world and save the life. In spite of these positive effects of globalization to the education and health fields in the developing countries.

Cultural Effects

Globalization has benefited to the culture in the developing countries. Developing countries cultures have changed through globalization. Many developing countries are concerned about the globalization because it may lead to destroy culture, traditional, identity, customs and language. The process of globalization has involved all the countries around the world. Developing countries such as India, China, Africa, Iraq, Syria, Lebanon and Jordan have been affected by globalization, and whether negatively or positively, the economies of these countries have improved under the influence of globalization. Many customs and cultures are disappeared such as traditions clothes and some language and expressions have changed under the influence of globalization. However, although globalization has many disadvantages, it has brought the developing countries more benefits and this is the golden age for business, commerce and trade.

INDIA'S FOREIGN TRADE

The pattern of India's foreign trade has changed significantly over the decades. Trade with emerging markets and developed economies has increased remarkably. However, India's imports have risen faster than its exports, leading to a vulnerable balance of payments. This balance of payments crisis forced India to seek loans from the World Bank and the International Monetary Fund, which prompted the country to implement economic reforms, specifically liberalization, privatization, and globalization. Trade policy reforms over the past one and a half decades have created an export-friendly environment by simplifying procedures that enhance export performance. These reforms focus on openness, transparency, and globalization, with a primary emphasis on outward orientation aimed at promoting exports. This shift has moved away from quantitative restrictions and has improved the competitiveness of Indian industry to better meet global market requirements. Globally, comparing India's share of world merchandise exports over a period of last twenty years has increased from 0.05 percent to 0.07 percent. While in course of same period of time China, India's biggest competitor in Asia Pacific Region, has almost tripled its share to 4.0 percent. Although India has marked its present in world service exports, threats from competitors like China, Philippines, Brazil and others are knocking its doors. It is a big challenge for India to overcome all these threats**.**

India's Export trend

India's agriculture exports witnessed sharp growth and also diversification of the export basket since the era of liberalization in 1990s. India was exporting more agricultural products; even in that major share was of Spices. After globalisation composition of its export and even the direction of trade changed over the years. The changing trend of Indian export is exhibited in table-1.

Table- 1: Table representing trend and growth rate of Exports (Rs. In crore)

Years	Value	Growth (%)
1960-1961	642	0.3
1970-1971	153525	8.6
1980-1981	671071	4.6
1990-1991	3255763	17.7
2000-2001	203571	27.6
2010-2011	1142922	35.1
2020-2021	2154339	37.00

Source*: Economic survey, 2020-2021*

Note: 1. In the year 2020-2021, the data is based on Preliminary Data December 2021, ministry of Commerce and Industry, Department of Commerce.

It is observed from the table 1 that, during the year 1960-1961, India's export amounted to Rs. 642 crore with the growth rate of 0.3 percent. In the year 1970-1971 export amounted to Rs.153525 crore showing an increase of 8.6 percent over the previous year export level. The declaration in export growth witnessed in 1990-1991 is 17.7 percent with Rs. 3255763 crore when compared to 1980-1981 is 4.6 percent with Rs.671071 crore. The improvement in export growth of 27.6 percent in 2000-2001 was mainly due to a large improvement in rupee term is Rs.203571 crore. The increase in growth of export in rupee term in 2010-2011 is Rs.1142922 crore with increase in growth rate of 35.1 percent. Total export for the year 2020-2021 stood at an overall level of Rs. 2154339 crore. This represents an increase of 37.0 percent over the previous year.

Changes in Direction of Export

The geographical pattern of India's foreign wade remained broadly changing during the years. By and large, the industrial market economies served both as for India's exports. During the year 1980-1981, the OECD countries continued to be the India's largest trading partner accounting for 48.82 percent of total export followed by other or unspecified countries for 18.27 percent, OPEC countries 8.79 percent. The direction of India's export across the major country groups almost changed from 1980-1981 to 1990-1991. However, the percent share of OECD 56.48 percent, the OPEC 5.62 percent, eastern European countries 17.87 percent, developing countries 17.08 percent, while that of the others and unspecified countries as a group declined to 2.94 percent. Direction of exports in 2000-01 show significant increases in India's exports to destinations like OECD, OPEC and developing countries in Asia, Africa and Latin America. Exports in value is 52.68 percent to OECD, 10.88 percent to OPEC, East European countries in India's total exports decreased marginally to and 20.20 percent to developing countries in 2000-01. In the year 2010-2011 The directional pattern of India's export declined from 2000-2001 to 2010-2011. Among the trading partners OECD countries percentage share of total trade is 33.23 percent followed by

Developing countries by 38.29 percent, OPEC 21.33 percent and Eastern Europe 1.12 percent.US rank first among OECD countries by 10.08 percent of total trade.

India's Import trend

Even the composition of import to India has changed since the New Economic Policy-1991. After globalisation composition of its import and even the direction of trade changed over the years. Changing trend and growth rate of Import to India is given in table- 2**.**

Table- 2: Table representing trend and growth rate of Import (Rs. In crore)

Years	Value	Growth (%)
1960-1961	1122	16.8
1970-1971	163420	3.3
1980-1981	1254915	37.3
1990-1991	4319286	22.3
2000-2001	230837	7.3
2010-2011	1683467	23.4
2020-2021	2909937	38.06

Source: *Economic Survey, 2020-2021*

Note: 1.In the year 2020-2021, the data based on Preliminary Data December 2021, Ministry of Commerce and Industry, Department of Commerce

It is clear from table 2 that, during the year 1960-1961, India's import amounted to Rs.1122 crore with the growth rate of 16.8 percent. In the year 1970-1971 import amounted to Rs.163420 crore showing an increase of 3.3 percent over the previous year import level. The declaration in import growth witnessed in 1990-1991 is 22.3 percent with Rs.4319286 crore when compared to 1980-1981 is 37.3 percent with Rs.1254915 crore. The improvement in import growth of 7.3 percent in 2000-2001 was mainly due to a large improvement in rupee term is Rs.230837crore. The increase in growth of import in rupee term in 2010-2011 is Rs.1683467 crore with increase in growth rate of 23.4 percent. Total import for the year 2020-2021 stood at an overall level of Rs. 2909937 crore. This represents an increase of 38.06 percent over the previous year.

Changes in Direction of Import

Direction of imports means the country from which we import goods. Before Independence most of our imports were from Britain. After independence, we are now importing goods from other countries, such as, USA, Germany, France, Japan etc. Direction of India's Imports has changed remarkably. During the year 1980-1981, the OECD countries continued to be the India's largest trading partner accounting for 42.63 percent of total Import followed by OEPC countries for 26.46 percent, Others or Unspecified countries 8.79 percent. The direction of India's Import across the major country groups almost changed from 1980-1981 to 1990-1991. However, the percent share of OECD 57.21 percent, the OPEC 16.30 percent, Eastern European countries 7.82 percent, developing countries 18.65 percent, while that of the others and unspecified countries as a group declined to 0.01 percent. Direction of Imports in 2000-01 show significant increases in the destinations like OECD, OPEC and developing countries in Asia, Africa and Latin America. Imports in value is 39.89 percent to OECD, 5.32 percent to OPEC, East European countries in India's total imports decreased marginally to 1.68 percent and 22.08 percent to developing countries in 2000-01. In the year 2010-2011 the directional pattern in terms of region-wise share of total imports of OECD and Eastern Europe declined in 2000-01, those of OPEC and other developing countries increased during this period.

CONCLUSION

Globalization leads to formation of broader objectives of economic and social development and helps to achieve economic efficiency through competitiveness. The analysis shows the following results:

- The process of globalization has brought significant success for the Indian economy by increase in GDP growth rate (GDP growth rate 5.3 percent in 1991; 7.3 percent in 2021)
- Strengthen the volume of exports (Rs.3255763 crores in 1991; Rs.2154339 crores in 2021) and imports (Rs.4319286 crores in 1991; Rs.2909937 crores in 2021) and huge flow of investment.
- Direction of export and import changed when compared with list of countries before and after new economic policy.

Rather than economic stagnation, globalization has shown the way to high economic growth rate for our country. Globalization has helped improve India's standing in the global economy. The government needs to take appropriate measures to control imports on the one hand and to promote exports on the other. This would require Indian exports to acquire a high degree of competitiveness in the world markets.

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