

# Globalisation and the Indian Economy PDF

## **An Introduction to Globalisation**

The chapter opens up with defining globalisation as the interconnectedness between countries resulting from foreign trade and investment. Multinational Companies (MNC) are a key vehicle for dispersing the ideas of Globalisation worldwide. Some of the important ideas pertinent to Globalisation as per the chapter are:

- Integration of production and markets
- Transformation of markets
- Technological advancement
- Opening up the economy
- Unequal impact for different countries and people

## **Globalisation and the Indian Economy: Production Across Countries**

Even before the start of Globalisation, there existed a thriving international trade between kingdoms and countries. However, this foreign trade was restricted to the exchange of raw materials.

With the onset of Globalisation began the era of MNCs. MNCs can be defined as the companies which have their working offices in more than one country. Its production takes place in multiple locations across the globe. The primary purpose of manufacturing and selling at different locations is to minimize the cost of production and, consequently, maximize profits. One of the pivotal characteristics of an MNC is its ability to produce goods in a global setup.

The production carried out by the MNCs is bifurcated into various phases. These phases are then distributed to multiple companies. Therefore, the production of one good takes place in several locations.

This impact of globalisation in India is visible in the growing numbers of MNCs. Due to the ample availability of skilled workforce and cheap labour, global companies find India a good business location as stated in the chapter on Globalisation and the Indian Economy.

## **Dynamics Between MNCs and Local Producers**

When an MNC comes to a country, it spends money on buying the factors of production. This money comes from a foreign company to domestic land is known as foreign investment. This capital aids the government's financial resources, thereby enhancing the overall economic growth. At the same time, the MNC can make better profits. An MNC will inevitably interact with the country's local producers. This process of interaction takes place in the following manner:

- A common approach for MNCs is to buy a local company. With this purchase, they can expand their production in the country.
- Another approach is to make direct purchases from local manufacturers. An MNC places its order with a producer from another country at the desired rates. The locals act as suppliers.
- Creating business partnerships with local producers is another viable way for MNCs.

## **Globalisation and the Indian Economy: Market Integration Through Global Trade**

As we move further with the discussion of the chapter on Globalisation and the Indian Economy, the next topic is the foreign trade. Foreign Trade is one of the key instruments for connecting multiple countries. On the one hand, it enables domestic producers to expand into the international market. Also, it gives consumers a greater variety of choices.

More importantly, foreign trade facilitates the movement of goods and services from one country to another. In doing so, it accelerates Globalisation. Globalisation and the Indian economy exemplify the crucial role of seamless foreign trade in integrated markets worldwide. Indian goods are available in many countries while the Indian markets sell goods coming from various countries abroad.

## **Globalisation and the Indian Economy**

The expansion of MNCs, coupled with advancements in foreign trade, has promoted the process of Globalisation. There is a large-scale movement of goods, services, investments, and technology across the globe. Some factors that have facilitated Globalisation are:

### **Technology**

Technological advancement in transportation has significantly enhanced international trade. Besides, rapid development in communication, technology has made it easy to

connect with anyone in the world. Satellite communication devices also facilitate access to information.

## **Liberalization**

Barriers to foreign trade, like high taxes on imports, hamper the movement of goods. Liberalization is the removal of these barriers. It facilitates Globalisation as well. Indian Globalisation resulted from its policy of liberalization in 1991.

## **Globalisation and the Indian Economy: Impact on India**

As described in the chapter on Globalisation and the Indian Economy, the phenomenon of Globalisation has a varied impact on different countries and people. Let us have a look at some of the impacts on our country as mentioned in the chapter-

- For Consumers: As a result of Globalisation, consumers enjoy a greater variety of choices for goods and services. They can access both imported products and domestic goods. Therefore, there is scope to upgrade their lifestyle.
- For Producers: Indian Globalisation is both a boon and bane for the producers. The more well-off manufacturers can benefit immensely from their relationships with foreign counterparts. Small businesses, however, suffer from excessive competition. Overall, companies create employment and boost economic growth.
- For Workers: Both industrial and agricultural workers face adverse consequences. Farmers and sellers face excessive competition in the agriculture sector. Alternatively, industrial workers face similar mistreatment.

## **Questioning Globalisation and Its Impact**

Globalisation creates wide-ranging disparities in the domestic and international community. It reaps enormous benefits for the rich while affecting the poor unfavorably. Taking this in view, there is a popular demand for fair Globalisation. Some suggestions to address this challenge are-

- Trade policies must focus on protecting the interests of all domestic producers.
- Workers, both industrial and agricultural, should not face the brunt of blinded progress.
- Governments should negotiate with the WTO for fairer rules of trade.