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“IMPACT OF GLOBALIZATION ON INDIAN ECONOMY”

Dr. Mrs. Desai Madhura Babasaheb

Associate Professor

Dept. of Economics, R.C.Shahu College,

Kolhapur

Abstract

Globalization indicates global neighborhood or the world without borders. The link throughout the world is established through electronic media, internet and e-commerce. Globalization is the process, the events, decisions and activities in one part of the world have effect on the whole globe. It integrates the whole world. In this paper an attempt has been made to study the impact of globalization on Indian economy. Globalization improves living standard due to wide range of products. It can also provide new employments; exchange of opportunities so all the countries in the world can have benefits. There will be rapid development in information communication technology and increase in trade and investment. The whole world can have the benefits of the intelligence, research and developments of each other. Therefore globalization is considered to be essential to put the Indian economy on higher path of growth. Also there are adverse effects of globalization. When all countries are coming together, every country has to adjust with the pace of others. So it is likely that some will be superior and some inferior. The technology of the world will have the effect on the Indian environment. This will lead to pollution, climate changes, infectious diseases, loss of ozone layer, loss of biodiversity etc. The pressure of competition will be at global level. Now globalization is unstoppable. No country can remain isolated. India has to continue with the pace of globalization. All countries must co-ordinate to minimize the demerits of globalization. The integration of the world mainly depends upon co-operation, understanding and joining hands of others.

Keywords: Globalization, information communication technology, climate changes, biodiversity.

“I do not want my house to be walled in on all sides and my windows stuffed. I want the culture of all the lands to be blown about my house as freely as possible. But I refuse to be blown off my feet. I refused to live in other people’s houses as an interloper, a beggar or a slave.”

- Mahatma Gandhi

Introduction

The process of globalization is the outcome of capitalist economic philosophy, which is popularly known as ‘Washington Consensus’. Globalization is a process of development of the world into a single integrated economic unit. This new boom has the potential to pull the whole world into it. India initiated the process of globalization in eighties, there was a feeling that excess control and over protection of domestic marketing in India has resulted in slow economic development and unsatisfactory performance of the Indian economy in the post independence period. Hence, globalization was considered to be essential to put the economy on higher path of growth. In this paper an attempt has been made to study the impact of globalization on Indian Economy.

The Concept of Globalization

The wider view equals globalization with the notion of Vasudhaiv Kutumbakam (the whole world is one family) and the globalization at least in its narrow economic sense implies free movement of goods, services, capital flows and technology. Globalization is not a new phenomena, the base was laid long back when the Dutch East India Company and the British East India Company started trading with India. In history, there were trade relations between different countries like Arab and Egypt and now in modern times that has translated into Globalization of Free Trade. In India, the globalization in new form started in 1991, due to the financial crisis in the country. The aim of new economic policy of 1991 was making the Indian economy competitive and much better integrated with the world economy. It introduces the reform packages namely ‘Liberalization, Privatization and Globalization’ to revitalize the economy.

Objectives

The Present paper is undertaken with the following objectives

1. To know the concept of globalization.
2. To study the impact of globalization on Indian economy.

Division of the Paper

The present paper is divided into four parts. First part introduces the topic under study. Second part explains the concept of globalization. Third part focuses on the impact of globalization on Indian economy. The conclusions are drawn in the fourth part.

Impact of Globalization on Indian Economy

Globalization has brought significant growth in worldwide trade. By dismantling economic boundaries, it has opened up new opportunities for millions. Many developing countries have in fact, shown great urge to globalize their economies. These countries perceive globalization as an instrument not just for achieving economic efficiency and competitiveness but for meeting broader objectives like eradicating poverty and overall advancement. There is a great debate on the effects of globalization. Those who support globalization say that there has been a decrease in poverty and an increase in general well-being and those who oppose it saying that in fact poverty has increased, employment opportunities and access to social services have declined. The supra-national phenomenon of globalization has far reaching economy, social, political, cultural, environmental and technological consequences. The impact of globalization can be cited as:

1] Positive impacts

Rise in standard of living

Globalization has resulted in a sea-change in the standard of living and life-style of people. Because of globalization we can enjoy wide range of products at the cheapest rates, foreign brands of many of the consumer durables are easily available. So it improves the living standard. The link between the producers and consumers is quickly established through electronic media, Internet and e-commerce.

Increase in Employment Opportunities:

Employment opportunities have tremendously increased due to coming up of many new domestic private companies as well as multinational companies (MNCs). Many of the foreign companies are now outsourcing their jobs to India and thereby increasing the job opportunities available in the country. Demand for skilled and knowledgeable employees has been increasing. Employees are offering good salary package to deserving candidates.

Easy availability of loans from financial sector:

The Scenario of getting loan has completely changed today. The reforms carried out in the banking sector have led to easy availability of loans. Computerization and installation of ATMs have brought remarkable change in the services being rendered by banks.

Human Resource Development:

In a global competitive Scenario, global competitive human resource is required and such competitive human resource has been developed due to globalization. Earlier there were restrictions and limitations regarding getting the human resource but due to globalization it becomes easy to the entrepreneurs to get qualitative manpower.

In globalization young generation people's strength will help to become superpower in the world, so human resource should have more current to drive the globalization.

Increasing in Foreign Direct Investment:

Globalization provides new benefits from FDI. After Globalization foreign investment as well as domestic private investment has increased by leaps and bounds. During 1991-92, the foreign direct investment inflows were only Rs.408 crores. The FDI inflows during 2004-05 were Rs.11726 crores. Foreign investors are showing a keen interest in investing in India.

Large reserves of foreign exchange:

In the pre reforms era, the country did not have large reserves of foreign exchange and, therefore, was not easily available for a person travelling abroad. Today, the situation has changed, now foreign exchange is easily available in any amount for persons travelling abroad. The removal of restrictions has also helped in eliminating 'black money' generated as a result of illegal transactions in foreign exchange.

Free flow of global technology:

Due to easy accessibility to latest foreign technology, many of the private companies are adopting latest technology in their production processes to increase production and productivity, as well as to lower production costs to benefit the consumer.

Huge expansion in the corporate sector:

With easy flow of foreign investment and increase in domestic private investment, the number of industries in the corporate sector has gone up very high. In 1980-81 there were only 62714 companies; in 2002-03 there are 612155 companies in the corporate sector.

International Cultural Exchange:

There is cultural intermingling and each other is trying to know about the other's cultural preferences and because of this we are actually coming across things that we like and in the course of time accept it.

II] Negative Impacts

Of course, everything has its own merits and demerits. Globalization is not an exception. The negative dimensions of the era of globalization are more loud and clear. The impact of globalization in Indian context is negative which can be taken as a great reduction in labour and national happiness. Large section of the Indian economy is feeling insecure and a crisis of confidence is building up due to the globalization.

Impact on Human resource and Employment:

Qualified and highly skilled employees are in the stream of brain drain. Hire and fire of an employee is the mantra of globalization. It means no secured and life time employment for employees. Skilled employees from Government organization are taking VRs and joining in private organizations. There is increase in contractual works, which increase the exploitation of an employees and no job guarantee. Working hours of an employee has increased which adversely affects on health of employee.

Increase in inequality:

Various studies have shown that under the prevailing globalised environment, socio-economic inequalities have increased among classes and sections of society over a period of years. The people in developing countries strive for livelihood whereas of developed countries enjoy decent standard of living.

Environmental Degradation:

The blind race of competition has created concerns regarding ozone depletion, global warming, climate change, lack of biodiversity, infectious diseases etc.

Effects on Women's Participation in labour market:

Though the impact of globalization has affected both men and women, the impact is much greater on women. On the one hand, they are concentrated in low paying informal activities and on the other hand, the cut in public sector expenditure has adversely affected their labour market position because public sector provides better employment opportunities and working conditions.

Decline in Agricultural Production:

Indian agricultural has been facing a big challenge in the globalization era because production and productivity growth rate of food grains and other principal crops have declined in the post reforms period compared to pre-reforms period. The globalization has emphasized the growth of manufacturing and service sectors and neglected agricultural. Also Indian farmer has failed to reducing the cost of production and maintaining high quality in his production. So the Indian agricultural production cannot compare in the international market. Due to this the Indian agricultural performance is continuously declined.

Impact on Industry:

The structure of the economy is rapidly shifting to service sector economy with rapid rise in the share of tertiary sector. The share of primary and secondary sector has decreased. Rate of industrial growth has slowed down and rise in industrial sickness. Small scale industries are facing problems due to cheaper imports from foreign countries especially from China.

Decline in the Investment on Infrastructure:

There is rapid declining in the provision of infrastructure. Education, health and other basic amenities are getting neglected due to increasing fiscal deficit and due to this India's rank in human development index are almost static at around 134 out of 174 countries.

Conclusions

The process of globalization is unstoppable and irreversible. No country can afford to remain isolated. Each country must prepare itself to meet the new challenges so that it is not bypassed by this huge wave of technological and institutional changes. The increased international economic interdependence further reduces the scope of individual nations to pursue independent economic objectives. The global awareness

about common issues like environmental pollution, climate changes, drug smuggling and other such public bads which have cross border spillover effects is increasing which also require global co-operation. IMF, World Bank and WTO have to play the role of inter-national public sector for equitable distribution of the benefits of globalization. India has to continue with the pace of globalization. No doubt, the economy was not prepared for globalization with more than 121 crores population and the prevailing socio-political set up but the foundations of social change cannot be laid in short span of time. The main challenge in front of India is that of vast disparity of status and opportunities. The diversity of the country having numerous religions, castes, languages and cultures are additional challenging factors. Therefore, control of population growth will be a major step for ensuring benefits of globalization. It will help in reducing unemployment, poverty and inequalities and increased women's participation in labour force. There is also need for pressing the decision-making bodies to provide special and differential treatment to the developing countries under the WTO policy regime. The economic benefits have to progressively reach those who are less fortunate irrespective of caste, creed or religion. To ensure that globalization strengthens rather than weakens Indian economy must enhance its competitiveness and promote technological innovations.

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