



Economic and Social Impacts of Globalization on India

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Abstract

The condition of Indian economy in the 1990 was very worst which compelled India to involve itself in the process of globalisation under the able and bold leadership or Prime Ministership of Mr. P.V. Narshima Rao. Globalisation was not only adopted for the purpose to bring back on the right track to the Indian economy but to enable itself to get further foreign exchange reserves which were reduced to mere three weeks outflow. In order to rectify its ailing financial health, government simultaneously decided to change its policies on economy and go for privatization and liberalization of its economy. The decision of privatization and liberalization has positively impacted India. However, the process on the other side, negatively impacts on India and thus proved to be a double edged weapon. It has helped the governments to meet its emergent requirement of foreign exchange but it has, as a by-product, caused some permanent damage to the system economy and social structure. The paper is an attempt to highlight the impacts of globalisation on the economy of India. The purpose of the research paper is also to highlight the impacts of globalisation on socio-cultural environment of India.

Key Words: Liberalization, Globalization, Privatization, India, Economy.

Introduction:

Globalization is combination of two words Global+Zation, 'Global' means world and 'Zation' means process. Thus globalization is a global level process. But till today there is no confined meaning of globalisation it is depending on the circumstances and on the individual who is taking about. 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. Ideally, it also contains free inter-country movement of labour. In context to India globalization connotes the economy to FDI by providing facilities to foreign companies to invest in different fields of economic activity in India, removing constraints and obstacles to the entry of MNSs in India, allowing Indian companies to enter into foreign collaborations and also encouraging them to setup joint ventures abroad; carrying out massive import liberalization programmes by switching over from quantitative restrictions to tariffs and import duties, therefore globalisation has been identified with the policy reforms of 1991 in India¹.

Nation states for thousands of years have been doing trade with one another. But the process has achieved immense increase in the last few decades now due to highhanded policies of World Bank, IMF, WTO who have been functioning under the supervision and guidelines of powerful and developed nations or countries are insisted by the powerful states or by developed countries



to chose full throttle globalisation by opening up their local markets to world trade by reducing artificial barriers to such trade.

Advanced means of communication and transport, internalization of financial markets unprecedented mobility of goods, capital, data and workforce have further create new opportunities and given boost to the process of globalisation. At the initial phase globalisation was confined to be only a trade relationship. But with the passage of time and the process as a by-product has mixed the national and regional economies, different societies and cultures through global network of trade, communication and migrations². As per the recent reports of regarding migration, it has been estimated that there are about 200 millions migrants around the world today and they are mostly from poor and developing countries to developed countries. Apart from this large transnational workforce has been witnessed. The prevailing system of immigrants and other human connectivity have completely transformed the socio-cultural structure of various countries of the world. The paper would examine the economic and social impacts of ongoing globalisation on India.

Objectives:

1. To explore the circumstances led the India to adopt the process of globalisation.
2. To explore the changes caused due to globalisation in the economic and society of India.
3. To explore the positive and negative impacts of globalisation on the economic and social fields of India.

Methodology:

The nature of the research paper is theoretical; hence the data has been collected through secondary sources. For the purpose Printed materials, Reference Books, Research journals, Research Papers and Internet have been widely consulted to develop the plan of the research paper.

Description:

Economic Impacts

Globalisation has opened up new and tremendous opportunities for worldwide developers. Globalisation in India arrived just before the end of cold war. India introduced changes in industrial and trade policies to improve its efficiency, productivity and competitiveness of its economy. India economic performance has witnessed paradigm shift from low growth to high growth trajectory resulting in an increase in domestic savings. Indian economy has become more open and gained competitiveness in the world economic scenario. It was able to maintain an annual average growth rate between 5 to 7 percent. Telling bout the current economic growth rate, it is being predicted that by the end of the 2nd decade of 21st century, India would become the 3rd largest economic power after the USA and China. India's economic performance over the last few decades has attracted the attention of other regional and global powers for closer



cooperation with India. India's Gross National Product (GNP) of US\$ 2.14 trillion in Power Purchasing Parity (PPP) terms is larger than that twice that of Russia.³

Trade and FDI have shown remarkable improvement from 1991 onwards, presence of foreign firms on India has increased. The globalisation process has opened the excellent opportunity for the foreign companies to access in Indian markets and changed their mindset about the Indian economy from a poor, under-developed economy to an emerging market. Apart from creating new opportunities, the globalisation offers both challenges to the Indian economy. It has generated significant opportunities for manufacturing, agriculture, service sector and many others. Besides, there has been significant of foreign investment into India. The challenges of globalisation lies not in stopping the global market, but in setting rules and institutions for better governance at local, national, regional and international levels. Moreover, the globalisation is not just to keep intact the advantages of global market and competition but also to provide space for human community and environmental resources to ensure that globalisation functions for people and not just for profits.

India's total merchandise trade increased three times bigger from US\$ billion in FY 2006 to US\$ 794 billion in FY 2012. Global merchandise exports share of India had increased from 0.5% in 1990 to 1.67% in 2011. Indian exports to Asia have increased from 40.2% in 2001-2002 to 51.6% in 2011-2012. The share of Asia, Africa and Latin America countries increased sharply from 47% in 2001-2002 to 62.7% in 2011-2012. UAE remains on top position in terms of best exports destination, while China remains the best import destination for India.

It can be observed from trends in the growth of India's foreign trade that has been a modest growth rate of exports and large measures in exports thereby widening trade deficit. It is notable that during this period the trade balance of India remained unfriendly. The imports has exceeded exports, shown a huge trade deficit and this is something which India has to be think about. The total volume of trade in service sector has increased from US\$ 92.2 billion in FY 2006 to US\$ 217.8 billion in FY 2012, registering more than two fold increased. In the service sector India has gained immense enhancement in the balance of trade. For example the software exports alone account for US\$ 62.2 billion in FY 2012. Talking about the foreign investment, India's dire requirement for foreign investment coalesced with the initiation of certain policy changes such as reduction of restriction and controls over the entry of foreign firms, created an atmosphere suitable for FDI. Besides, India has increased a number of bilateral investment agreements with foreign countries including attracting investment. Simultaneously, to allow easier operation of firms in India with foreign equality, Foreign Exchange Regulation Act (FERA) was amended. To promote foreign investment Multilateral Investment Guarantee Agency (MIGA) convention has been also inked by government of India. However, market size, prevalence of democratic institutions and the enforcement of rule of law, are the most essential factors that made India a very hot destination foreign investors.⁴

India's overseas investment has witnessed has witnessed significant enhancement since 1996 when India had made policy changes in its overseas investment. The value of approved Indian investment abroad has increased by more than five-fold to US\$ 2854.84 million from April 1996 to March 2006. India's investment abroad has generated significant jobs for other countries. Indian corporations are investing all over the world and even in some industrialized countries.



Indian corporate registered partnership firms are allowed to invest in entities abroad up to 400% of their net worth and are permitted to make overseas investments in any bonafide business activity.

India economy like other emerging economies of the world has also witnessed the impact of global financial crises but unlike other countries it has shown considerable resilience. Indian GDP has increased more than the earlier, reflecting lower industrial production, negative imports, declaration in services activities, Dented Corporate margins and diminished business confidence. The impact of economic slowdown to Indian economy is quite evident from the fact the GDP growth has come down to 7.8% during April-September 200 from 9.3% in the same period of 2007.

Steps taken by the Government of India to improve its Economy

Keeping in view the challenges facing our country and in a proposal to improve the Indian economy, the Government countered by providing three focused fiscal stimulus packages in the form of tax relief to advance demand and increased expenditure on public projects to generate employment and public assets. The Reserve Bank of India (RBI) took a number easing and liquidity enhancing measures to facilitate flow of funds from the financial system to meet the needs of productive sectors⁵.

Apart from this, other steps are also taken such as:

- Limit on LPG Subsidization
- Hike in Diesel Prices
- Opening up several other areas for investment. This includes-FDI in Single-Brand retail, Multi-Brand retail, Broadcasting, Aviation and Pension and Insurance.
- Amendment to Companies Bill 2011 so as to have modern legislation for Growth and Regulation of Corporate Sector in the country.
- Reduction on withholding tax.

Socio-Cultural impacts

Increased economic condition, increased recognition of human rights, unprecedented mobility and interaction of people from different people hence dented local cultures of people the world over. Transitional workforce and large scale immigrants, a product of globalisation, are dispersing different cultures I various countries lading to a unified world culture that consists of a mixture of various regional cultures. Global population is getting closer to sharing similar social values, aspirations, attitudes and life styles. Local culture, spiritual practices and core social-values have been getting changed and a new meaning is being given to human life. It is only globalisation, which is accountable for changing people's outlook and life style. Following are some of the changes generated by globalisation in the various established practices of India.

In India, prior to globalisation, the society was made dominated; women folk have been only managing the family within four walls of their home. But the emergence of globalisation has buried this practice. Today women are equal status with men and are working in all spheres of



Indian economy. The male domination system came to an end in all fields. Today men can't take any decision normally or unanimously without the consent of women folk.

Indian joint family system has been appreciated world over for strong relationships which provided support to everybody to face hard times and old age periods. But western culture has completely changed the life style of Indian youth; they are getting more and more blunt in breaking relations with elders and in building nuclear families. These nuclear families are getting further divided due to strained relations of partners and due to displacement of one or the other partner to a far off place in pursuit of his/her employment. Earlier, well defined religious practices were being blindly followed by one and all. But globalisation has changed this blindly following system and brought in the spirit of reasoning which has weakened established practices. Secondly, work place integration of different cultures has inter-mixed the religious practices. In this way the old age religious practices which differentiated people from different religions are getting blurred. The earlier inter-caste marriage system has come to an end and marriages within families with totally different systems are quite common. Majority of such marriages are getting fructified either in the study institutions or at their work place. Apart from this globalisation has also changed the dress pattern and foot habit of youths. Globalisation in this context has greatly affected our social fabric. The shared experience is giving new meaning to our life and its leading to changes in our culture, religious, practices and spirituality⁶.

Conclusion:

From the above discussion it is clear that the process of globalisation has brought significant success for our country's economy-increase in GDP Growth rate, Strengthen the volume of imports and exports, huge flow of investment and many others. Rather than economic stagnation, Globalisation has shown the way to high economic growth for our country. Globalization has helped improve India's standing thereby making it an essential player in the global economy. Globalisation alone will not bring success for the country's economy unless necessary measures are taken in time. The government has to introduce a number of measures for reducing trade deficit. Imports need to be controlled and exports need to be promoted. This would require Indian exports to acquire a high degree of competitiveness in the world markets. This will provide the opportunity to the Indian economy to move towards a higher growth of path, for it to be able to catch up with other countries such as China and other Asian countries. Despite of the fact that the performance of Indian economy during the last few years has come down, it is still being considered as one of the fastest economy. India need to simplify procedures, reduce trade constraints and barriers and create investor friendly laws and open more areas for investment. In nutshell we can conclude that Globalisation is not only unless but dangerous too for Indian economy. It gave temporary relief to Indian government to tide over its serious foreign exchange situation during 1990-91 by enabling it to get loan from World Bank. But, as a by-product, it has caused some permanent damage to Indian economic system and deep rooted Indian social structure.



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