

GLOBALIZATION-IT'S SOCIO-ECONOMIC IMPACT IN INDIA

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Abstract: Due to change in world economic order and due to heavy pressures from rich countries like USA, Japan, European countries dominating the WTO(world trade organization having 135 members, established in 1995) and IMF International monetary fund and World Bank engaged in development financial activities, the developing and underdeveloping poor countries all over the world were forced to open their market and trade allow foreign countries to share their major chunk of business. Thus, Indian government was firstly adopted the process of globalization and liberalization in 1990-91. When Indian economy was in very bad shape. To purify its unhealthy financial health. Government simultaneously decided to improved its economic policies and go for privatization and liberalization of its economy. These decisions had instantly positive effect. However, it (globalization) has proved to be a double edged weapon. It did help government temporarily meet its emergent need of foreign exchange but it has as a byproduct, caused some permanent damage to Indian Economic system and Indian social structure.

Key word:-Economy, liberalization, Privatization, globalization, Indian policies, disinvestment, western culture,GDP.

Introduction:

From many years, different countries have been doing trade with one another, but the process has got a dreadful boost in last two decades due to high handed policies of international monetary fund, world bank world trade organization (135 members, established in 1995) who have been working on the agenda to developed countries like USA. They practically forced underdeveloped countries to adopt full choke, globalization by opening up their local markets to world trade by reducing artificial obstacles to such trade. Developments of advanced means of transportation communication, internalization of financial market capital, data manpower have further given boost to the recent process of globalization. Thus, India first started the process of

globalization and liberalization in 1991 under the Union Finance Minister, Shri Manmohan Singh. Initially, globalization was planned to be only a trade relationship where the trade relationship where the trade is an engine of growth. D.H. Robertson, the Cambridge economists proclaimed trade as an engine of growth. Adam Smith, Ricardo, J.S. Mill, Alfred Marshal D. H. Robertson are some of the trading supporters of free trade as a means of promoting economic development. But the process has as a byproduct, integrated national and regional economies, and society's culture through global networks of trade, migration and communications. As per estimate, today there are about 200 million migrants around the world they are largely from underdeveloped countries to developing countries. In addition there is large international workforce. These immigration other human links have changed socio-cultural face of various countries the world over. This paper would examine the economic social effects of ongoing globalization in India.

Important reform measure (Step toward liberalization, privatization, and globalization)

The 1970's oil (Gulf) crisis and numerous different factors were created financial emergency in India around 1990's. When almost \$ 1 billion foreign currency reserves was reduced. Inflation rate was roared to the annual rate of 17 percent. The fiscal deficit was very high and had become unsustainable; NRI's foreign investors had lost confidence in Indian Economy. There was capital outflow in the country and we were very close to defaulting on loans. At the side of these bottlenecks [spout] at home country, many unsuspected changes swept the economies of nations in western Eastern Europe, Latin America , Southeast Asia & elsewhere, around the same time. These were the compulsions of economic at home (India) and abroad that called for a complete examine of our economic policies and programs. General measures initiated as a part of the liberalization and globalization strategy in the early 1990's included the following.

Devaluation: -

The 1st step was taken globalization with the announcement of the devaluation of (Indian) home currency by 18 to 19 percent against major currencies in the world foreign exchange market. In fact, the measure was taken in order to resolve the BPO crisis.

Disinvestment:-

The government announced disinvestment of public sector units, especially non-strategic ones. Disinvestment is a process of selling government equity in PSU's to private parties.

FDI (Foreign Direct Investment) : It was allowed in a wide range of sectors such as insurance (up to 26%), defense industries (up to 26 %), development of integrated townships (up to 100%) etc.

NRI Scheme: The facilities which was available to foreign investors was also given to NRI s.

CONSEQUENCES OF GLOBALIZATION

There are many implications of globalization for a national economy; Globalization has intense mutuality and competition between economies within the world market. This is reflected the interdependence in regard to trading in goods services flow of capital. As a result, the economic developments don't seem to be determined entirely by home policies and market conditions. Formerly, they are influenced by both home , international economic conditions. Thus, it is clear that the globalizing economy, whereas formulating and evaluating its domestic policy cannot afford to ignore the doable actions and reaction of policies and developments in the rest of the world economic.

MERITS OF GLOBALISATION:

Globalization which is more romantic word indicating the desire to integrate nation-states within the overall framework of WTO, It is nothing but a modern version of the 'Theory of Comparative Costs Advantage' which was propagated by classical economists to provide the theoretical foundations of unrestricted flow of goods from Great Britain to other less developed countries – at that time of colonies. It was argued that international specialization and benefits both the countries, which enter into the trade relations. The advocates of globalization now have brought the same argument forth. Globalization renders several benefits for various reasons, and of various kinds. Many countries have benefited a lot in a variety of ways. Following are the merits of globalization.

- Improves Efficiency:

Free trade, which is at the basis of globalization, leads to specialization in production as per the resources of the countries. This results in efficiency gain, which is based on the “principle of comparative advantage.” According to this principle, the countries will specialist in products in which they have comparative advantage, and which they will export. They will imports those products in which they do not have comparative advantage. As an example, take two countries A and B, and two commodities X and Y. Assume both A and B can produce both X and Y. But A can produce more cheaply X compare to B. And B can produce more cheaply Y compare to A. A will concentrate on X, and B on Y. The world production is more, and the costs lower. It is efficiency gain from specialization.

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- Gains from Migrations:

Cross-border movements of people, largely workers, which globalization allows, can also prove beneficial to the concerned countries. The developed countries gain in more than one way. With the fertility rates low and declining in most industrial countries, the immigrants are making up the deficiencies in the numbers in these countries. Besides, these immigrants, mostly in the working age, are filling in the needs of the labour in the developed countries where a significant proportion of population is ageing fast. This is particularly so for countries of Europe, the United States, and Japan. Another more important benefit for the advanced countries is the availability

of skilled workers migrating from the developing countries, called “Brain Drain”; the developed countries often offer big incentives and inducements to attract knowledge workers. Infact these workers, though not very large, move about so freely among countries that one can regard this as a good example of integration of the countries and therefore of globalization. Developing countries is also benefit from migration. Emigration from these countries, if substantial, helps them to cope with the population pressures, at least till the demographic transition is over (i.e., moving over to the stage of low birth rate and low death rate). The difficulties associated with shortage of agricultural land can also be overcome to some extent with farmers moving out to other developed countries. The problem of unemployment in these countries too can be solved to some extent. The developing countries also gain from the remittances which the emigrants send home, which help in sustaining and raising their consumption, as also in raising saving and investment.

- Movement of Capital:

Capital mobility enables the total savings of the world to be distributed among countries, which have high investment potential. Therefore one country’s growth is not constrained by its own domestic savings. Inflow of foreign capital has played great role in development of East Asian economy. In fact, foreign capital inflow into Malaysia in 1993 was 17.4 percent of GDP; in Thailand in 1995 it was 12.7 percent of the GDP.

- Movement of New State of Technologies:

Technological change and Globalization go hand in hand. Thanks to technology, telephone calls can be made cheaply from anywhere. Innovations in miniaturization have steadily reduced the size and weight of computer, phones and pagers. Now they can be taken to more and more far-flung places and afforded by ordinary people around the world to get connected and exchange information, news, knowledge, money, family photos and music in a cost-effective way, which was unimaginable before. Globalization helps for the flow of new state of the technology from developed countries to the developing countries. It gives opportunity to the developing countries to implement new technology and enhance productivity.

- Development of Capital Market:

The fast development of the capital market is also one of the features of globalization process, because expansion of capital market is one of the pre-requisite for international flow of capital. Now foreign investor can make investment in India through ADR/GDR. Many Indian companies listed in New York Stock Market.

- **Enhancing the Market Size:** Globalization widens the market and increases the market size. Therefore companies do not need to depend on the demand of product and service in single country.

- **Industrial Development:**

Globalization provides the new technologies, huge capital, and managerial expertise to the domestic companies. These opportunities can make industrial development.

- **Transformation of Culture:**

Globalization reduces the physical distance among the countries and enables people of different countries to acquire the culture of other countries. The cultural exchange, in turn makes the people to demand for a variety of products, which are being consumed in other countries. For example, Chinese food and PIZZA, burger is making demand in Indian food market and Indian DOSA and BIRYANI in USA.

- **Globalization and Lifestyles of People:**

Globalization has rapidly changed the lifestyles of many people without their even being unaware. To take an example, most people had not even heard of the Internet in 1990. Also, few people had an email address then. But today the Internet, cell phones and e-mail have become essential tools that many people just cannot live without, in both developed and developing countries.

- **Consumption Level:**

Globalization increases industrialization and production. Consumers can get products of high quality at lower prices. Ultimately, it enhances consumption level of public.

- **Employment Opportunities:**

Globalization results in shift to manufacturing facilities to the low wage developing countries. As such, it creates job opportunities in developing countries.

- Higher Standard of Living:

Globalization has also raised living standards, faster and for more people than at any time in history. Massive Industrialization can provide more employment opportunities, best quality product at affordable price. Ultimately it enhances living standard of people. Developing countries have progressed as fast in the past 30 years as the industrialized world did in the previous century. In relatively short periods of time, countries like Taiwan, Singapore, Israel, Chile and Sweden, have achieved standards of living comparable to those in America and Japan, while the ranks of the middle class in countries like Thailand, Brazil, India and Korea have swelled, partly at least due to globalization.

- Globalization and Importers and Exporters:

Globalization has other champions too. Importers have a strong financial interest in a globalized economy. But so do exporters dependent on imported parts and machinery. Industrialists with interests in ports, shipping, international warehousing and other aspects of international trade and commerce may also see Globalization as beneficial to their sectors of the economy. Indian industrialists who have so far failed to invest in research and development and are losing the battle for market share are also becoming amenable to Globalization in the fond hope of partnering with an MNC that will enable them to stabilize or expand their sinking business ventures.

- Emerging of Various Trade Blocks and Free Trade Area:

Globalization is prompting the approach towards regional integration in throughout the world. Economic integration results in grouping up of smaller economies into a larger and single economy and market. Example of European Union, ASEAN, SAPTA, EFTA, OPEC, etc.

DEMERITS OF GLOBALISATION:

Various researchers in different countries have examined the claims of the protagonists of Globalization. A very powerful critique of Globalization has been made by Stieglitz, Noble Prize winner for Economics (2001) and 168 Chief Economist of the World Bank. The World Commission on the Social Dimension of Globalization (WCSDG) set up by ILO has also considered the experience of Globalization the world over and made certain very revealing observations. The World Commission states: “The current path of Globalization must change. Too few share in its benefits. Too many have no voice in its design and no influence on its course.” (ILO, 2004, p.2). “We wish to make Globalization a means to expand human well-being and freedom, and to bring democracy and development to local communities where people live.” (ILO, 2004, p.2). The Demerits of globalization are listed below.

- Globalization kills Indigenous Industries:

In the present case when all the impost become free, with no restrictions including tariffs, the adverse effects of another sort, are bound to be large. The domestic industries, even those that fit in the theory of comparative advantage, will find it difficult to survive against the onslaught of imports, including imports from labour abundant countries. This will mean loss of production, income, and employment. Basically it follows from the fact that the country, being underdeveloped, is short of advanced technologies, modern management practices, adequate finances, sound markets etc. in short, it is an infant. And it needs to grow under protection. Unless appropriate props are given, these economic activities will not become efficient. It follows that in a situation when all imports are free; the domestic economy is bound to suffer. The environment needed for the growth of industrial culture, industrial entrepreneur, in particular in the small scale sector, which is a major part of the economy in terms of the production of goods and services as also provider of employment etc., otherwise they will not emerge.

- Widening Gap between Rich and Poor:

One of the most negative effects of globalization is the growing income gap between the haves and have-nots. Friedman describes the phenomenon of “winners take all.” The winners in any field today can become really rich because they can sell their services in the global marketplace. The more those different markets get globalized and become winner-take-all markets, the more inequality will there be within countries and between countries. It is rightly

contended that globalization has led to the widening of inequalities in the country. This is obvious from the fact that these are at present larger income-disparities as between the skilled workers and unskilled workers, than before. This has been caused by the fact that the new modern industries, like those related to information technology etc., are skill knowledge-intensive industries. Besides, the global or multinational companies, with their bases in the rich countries, pay to their employees much more than paid by the domestic companies. Further, since only a part of the economy has been linked with the world economy (though exports and imports which account for a very small proportion at less than one per cent of the world exports and imports, and entry of small proportion of the world's financial flows etc.) most of the new jobs and the income have gone to the few who are related to these activities. All this is true. But it must also be stressed that inequalities have increased largely because a major proportion of the population finds it difficult to participate in this process of globalization. The reason is that economic reforms continue to be restricted to few areas, and education and skill formation facilities are far from adequate. If and when economic reforms cover more areas, and skill formation becomes an all-pervading phenomenon, an increasing proportion of population will participate in the process of globalization. As a result the income inequalities are bound to decrease.

- Foreign Investment in only Non-strategic Areas:

Advocates of Globalization have often made the claim that Globalization rather than destroy Indian industry would instead accelerate the growth of new industry and cause India's economy to grow faster. But a detailed analysis of Foreign Direct Investment (FDI) in the last few years indicates that a sizeable portion of this investment has not gone into the creation of new productive capacities. Much of the investment has simply gone into takeovers of existing Indian enterprises or towards speculative investments in the Indian stock market. Moreover, other than India's "hot" IT companies and select MNCs - the vast majority of Indian stocks have not benefited from such highly volatile FDI flows. Another aspect of non-selective Globalization is that a few selected sectors - namely consumer goods, automobiles, and software have attracted almost 90% of all foreign investment. There has been very little investment in the production of advanced electronics, computer or telecom hardware, aircrafts, advanced industrial materials, capital goods and modern tools and equipment, or robotics. These are the areas where India is

completely dependent on imports and is likely to fall further behind. Rather than steer production in areas of cutting-edge technology, state governments have been falling over each other in giving MNCs more concessions to produce more of what India is already producing!

- Infrastructural Facilities:

Globalization has done little to solve India's pressing infrastructural needs. This is particularly evident in the oil exploration and production sector. As a percentage of GDP, investment in oil exploration has fallen dramatically. In spite of deregulation and the award of licenses to multinationals for oil drilling, domestic production of crude has been falling in both absolute and percentage terms. As a result, in the last quarter (Apr-July 2000), India's oil-import bill jumped 95%.

- Numerous Tax Breaks have been given to MNCs:

There is also an assertion that Globalization allows India to allocate scarce capital more efficiently because the Indian government could concentrate on areas that need special attention. But few seem to note that in this decade of Globalization, the government has been steadily reducing its ability to fund vital social needs or infra structural needs. Numerous tax breaks have been given to MNCs to set up manufacturing in India. States have competed with each other in offering concessions to MNCs. Maharashtra has huge concessions to Skoda for its automobile plant near Aurangabad, Tamil Nadu offered special incentives to GM to set up its plant near Chennai. Karnataka and Andhra Pradesh have been competing to attract IT businesses in their state. Even the Central Government has joined in the act.

- Globalisation and Government's Financial Ability:

In a report titled: Exports give-always cost to govtRs 760 cr, JayanthiAyangar (Economic Times) wrote about the various tax holidays provided to exporters. The detailed report suggested that with violations and other means of tax evasion, the loss to the government may amount to a 1000 crores. Rather than increase the government's ability to solve pressing problems, Globalization has actually weakened the government's financial ability to intervene in the areas of education, healthcare and essential infrastructure. On Aug 7, 1998 Deccan Herald, noted economist and deputy chairman of the State Planning Board Dr. D.M. Nanjundappa had

termed as "a bad commercial proposition" the export incentives announced by former Union Commerce Minister Ramakrishna Hedge. "Excessive higher dependence on foreign capital inflows and rise in exports is likely to be dangerous. Unless there is a sustained growth in exports arising from improvement in the competitive strength of the Indian industry, our hope to recover will be the willow-the-wisp," he said. Referring to the incentives offered for exports during 1995-96 by the Narsimha Rao government, he said though the revenue loss varied between Rs.18, 00 crore and Rs.23, 000 crore, exports rose only by Rs.10, 000 crore. Losing Rs.25, 000 crore of revenue to get export earnings of Rs.10, 000 crore was not a good proposition adding that the loss of revenue and its implications were crucial. Two years later, his concerns remain just as valid since the trade deficit has widened to a record of 4 billion dollars for the last quarter. India's trade deficit grew almost 27% for the last quarter in spite of a substantial increase in exports. Although much of the rise came from fuel imports, growing fuel imports are themselves a negative consequence of poorly thought out liberalization.

- Globalization and Uncertainties:

Globalization can and in fact has brought in a variety of uncertainties. Workers fear it because of competition of imports which threaten their jobs. The producers of import-substitutes, particularly those in the small sector, face elimination or they get sidelined by the big producers. The domestic companies, howsoever, large get forced out of business, or lose their entity when these are merged with or acquired by the large multinational companies. The volatile financial inflows, particularly those of financial institutional investors, and depositors, upset the financial system, the stock exchanges, the banks etc. Even the entire economy can be undermined, if the financial inflows are very large and are enough to overwhelm it. The dangers from these inflows give rise to such unhealthy and destabilizing effect, as: sharp and sudden changes in investment sentiments; waves of speculation that upset exchange rates and share markets; large changes in inflows that imperil domestic financial institutions, large enterprises etc. The external shocks, like recessions or slowdown in the big countries like the USA, get into a developing country like India via reduction in trade and financial flows, thereby upsetting the smooth functioning of the economic system.

- Globalization and Brain Drain:

There is another type of loss that developing countries suffer and that is brain drain or emigration of skilled workers. This impairs the capacity of a country to harness advanced agricultural and technologies. No doubt, the migrants send money at home, but this may not always be sufficient to make up for the losses.

- Structural Adjustment Programme and Globalization:

Globalization closely related with the Structural Adjustment Programme (SAP) of the IMF and World Bank. The main policy used to achieve this was reduction of public expenditure of governments. It resulted in cuts in subsidies for the marginalized and the poor.

- Globalization and Technology Transfers:

Take the argument that Globalization brings in new technology. On a selective basis, Globalization indeed brings in new technology and opposition to Globalization is not tantamount to becoming technologically isolated from the rest of the world. But today, almost no advocate of Globalization is calling for selectivity. For instance, Coca-Cola and Pepsi were welcomed into the country even though they offered little in terms of new technology. Cosmetic manufacturers and manufacturers of designer label clothes have also brought in little new technology of any consequence. The same can be said of advertising companies and manufacturers of consumer non-durable goods like soap, detergent, toothpaste, cereals etc. So far, Globalization in India has not been tantamount to an all-around technological up gradation of Indian design and manufacturing.

SOCIO-CULTURAL EFFECTS OF GLOBALISATION:

The lives of the educated and also the masses had enriched by globalisation. Improved economic conditions, inflated recognition of human rights, unexampled quality and interaction of individuals from completely different countries have damaged native cultures of individuals the globe over. Transactional men and enormous scale immigrants, a product of globalisation, are scattering completely different cultures in varied countries resulting in an integrated world culture that contains a mix of varied regional cultures. Global population is obtaining nearer to sharing similar social values, attitudes, aspirations and life designs. Non-secular practices, native culture and core social values are obtaining reframed and a replacement which means is being given to human life. It's a globalisation, that is to blame for ever-changing people's outlook and life vogue.

To highlight the very fact that our established socio culture system are severely affected, we tend to examine here below a number of the changes in varied established practices: Indian society has continuously been a male dominate society. Male members are sole bread earners and are the only real face of family to outside world. ladies fold are solely managing the family among four walls of their home. globalisation has stricken a fatal blow to the current established follow. nowadays ladies area unit operating all told spheres of Indian Economy. they need challenged male domination all told respects. nowadays men area unit unremarkably not liberated to take any family call while not consent of ladies people.

Indian joint family system has been estimated world over for robust relationships that provided support to everyone to face hardship and adulthood periods. Western civilization has given new assuming to life to Indian youth. they need to guide associate degree freelance life. they're obtaining a lot of and a lot of blunt in breaking relations with elders and in building nuclear families. recent& disabled persons within the families area unit being forced to support themselves with none support from their youngsters. These nuclear families are becoming any divided as a result of strained relations of partners or as a result of displacement non secular practices were being blindly followed by one and every one. howeverglobalisation has currently brought within the spirit of reasoning that has weakened established practices. Secondly, work place integration of various cultures has inter-mixed the religions practices. this fashion adulthood non secular practices that completely differentiated individuals from different religions are becoming blurred. Earlier life partner were searched from native areas and from among their caste. currently inter-caste marriages i.e. wedding among families with all completely different social systems area unit quite common.

Conclusion:

Globalisation is useless but dangerous too for Indian economy. It gave temporary relief to indian government to overcome its serious foreign exchange situation during 1990's by enabling it to get loan from world bank.but it has as a byproduct, caused some permanent damage to Indian Economic system and deep rooted to Indian social structure.

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