



THE IMPACT OF GLOBALIZATION ON INDIA

S Uma Makeash

2nd year Student (Integrated MA), Department of Humanities and Social Science, IIT Madras, Chennai.

ABSTRACT

Globalization had made the whole world into a single common place. It is the process which expands and accelerates the movement of people, ideas and exchange of commodities across vast distance (Economic, Political and Cultural Integration). Globalization affects people with respect to their way of life, culture, values, taste, fashion and preferences. India has a rich cultural background and its culture is famous throughout the world. Our deep rooted traditions and customs have loosened up due to the emergence of globalization. Through globalization, the interchange of world views and ideas has resulted in a major transformation of the lifestyle and living standard of people. Indian culture is not an exception to this transformation process. Globalization has not only inculcated westernization and modernization in India, but conversely the Indian culture has also witnessed its impact worldwide. There has been both positive and negative impact of globalization on social and cultural values in India. The socio-cultural environment of a nation plays an important role in molding the future generations. This paper highlights the impact of globalization on India's Social aspects, Trade, Financial sector and the Socio-cultural changes that have been witnessed post globalization in the Indian society. Throughout this paper, there is an underlying focus on both positive and negative impact of globalization on Indian economy.

KEYWORDS :

INTRODUCTION

Globalization has become a very common theme of discussion in recent days. It is defined as a process that, based on international strategies, aims to expand business operations on a worldwide level, and was precipitated by the facilitation of global communications due to technological advancements, socioeconomic, political and environmental developments (1, p. 43). Or in simple words, it establishes relation with worldwide economy in regard to foreign investment, trade, production and finance. "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 has played a major role in export- led growth, leading to the enlargement of the job market in India. Indian economy had experienced major policy changes in early 1990s followed by deep crisis in July 1991. High inflation and fiscal deficit made the economy more unsustainable which resulted in loss of confidence from foreign investors. In addition, there were many unforeseeable changes in foreign nations too, around the same time. These led to the new economic reform, popularly known as, Liberalization, Privatization and Globalization (LPG model) aimed at making the Indian economy as fastest growing economy and globally competitive. Globalization has intensified interdependence and competition between economies in the world market (2, p. 4).

IMPACT OF GLOBALIZATION IN INDIA

India opened up its economy in the early nineties. Major measures were initiated as a part of the globalization strategy in the early economic reforms included scrapping of the industrial licensing regime, reduction in the number of areas reserved for the public sector, amendment of the monopolies and the restrictive trade practices act, start of the privatization program and reduction in tariff rates which were changed to market determined exchange rates (3, p. 3). Over the years, directly or indirectly, large number of sectors has acquired changes in India. Visible impacts of globalization can be seen in the following aspects:

1) FOREIGN DIRECT INVESTMENT:

FDI is welcomed everywhere (especially in India), as it provides external resources in the form of capital that supports the economic development of the country. Problem arises only if the government does not have any control over the flow. The liberalization policy taken up by countries has a direct impact on the FDI inflows. When we compare the countries in South Asia and East Africa, South African countries have more economic freedom, because it's being liberalized than the other. So these countries attract more FDI inflows than their counterpart South Asia. From this we can understand, Structural Reforms is an important factor in advancing

economic growth. Over the past decade FDI flows into India have averaged around 0.5% of GDP against 5% for China and 5.5% for Brazil. FDI inflow into India is only \$4 billion whereas China now exceeds \$50 billion annually (3, p. 7). FDI enhance employment opportunity and push the economy of the country in acquiring positive growth but it can be achieved only by monitoring and regulating laws and by implementing new reforms.

2) FOREIGN BORROWING AND LENDING:

The notable problem with many developing countries is that they borrow much from other countries and institutions (mainly 'World Bank'). They prefer more debt relief than what has been agreed upon. According to the developed countries and financial institutions, there are mainly three problems that hinder lending: The immediate economic loss, the risk of moral hazard in borrowing over the longer term and the internal problem existing within the nation.

3) TRADE:

In developing countries, 'Trade' enhances economic growth. One of the emphasis of globalization is that member countries should open their markets to ensure open trading free of limitations. In this regard, liberalization of trade would lead to the removal of all restrictions, causing unrestricted forces of demand supply to direct the movement and substitution of the factors of production, leading to efficient investment by producers (5). In India, tax exemptions and reduced tariffs attracts large number of foreign investors and multinational companies. India has been playing a more pro-active role in multilateral trade (11).

4) EMPLOYMENT AND POVERTY:

Globalization has succeeded in widening the inequalities in skill premium, wage, income and consumption in developing countries (6, p. 39-78). Different theories have been proposed for the changes in relative prices and consumption as caused by globalization but the most widely accepted conclusion is that globalization has contributed largely to inequalities in developing nations (9). According to IMF, there has been increased unemployment because of the fact that developing nations are becoming more service oriented where there is very less demand for low skilled workers. In addition, technical advancement has decremented the intake of manual labors.

INDIA AND GLOBAL INTEGRATION

The world economy has undergone tremendous structural shifts in last few years due to rising influence and role of the emerging globe. The emerging economies like India, China and Brazil has evolved from being 'policy takers' to 'policy makers' (11). One of the distinctive features of India's growing integration with the world is its deepening economic engagement with East Asian Countries.

Today, while China is India's major trading partner additional to Japan and Korea being major sources of FDI (11). These developments and strong global integration has taken place because of series of proactive measures taken through economic reforms. Despite carrying certain negative effects; Global Integration has significantly boosted Indian economy in several aspects (Education, Trade, Growth rate, Health care, Tourism, GDP). Few other notable impacts are: General politics, Social structure, Labor market, Social policy, Culture and Environment. In these fields, however, globalization does not necessarily determine a certain outcome but has traced upon.

ADVOCACY OF GLOBALIZATION

Advocates of globalization support their defense on the following arguments:

- 1) Globalization will promote FDI and thus it enables developing countries to raise capital without recourse to international indebtedness.
- 2) Globalization enables developing countries to make use of technology developed by advanced countries without investments in Research and Development. It widens the access of developing countries to export their production. Simultaneously, it enables the consumers of developing countries to obtain quality consumer goods, especially consumer durables at relatively much lower prices.
- 3) Globalization introduces faster diffusion of knowledge thus enabling developing countries to raise their level of production and productivity. It therefore, generates the momentum to reach international standards and helps to compete globally.
- 4) Globalization reduces cost of transport and communication. It also reduces tariffs and enlarges the share of foreign trade as a percentage of GDP. In nutshell, globalization is considered as the engine of growth, technical advancement, raising productivity, enlarging employment and poverty reduction along with modernization.
- 5) Globalization helps in keeping inflation on check and fiscal deficit on control.

OPPOSITIONS OF GLOBALIZATION

On contrary, few scholars oppose globalization through the following arguments:

- 1) Globalization affects domestic business (Indian industries face heavy competition by international brands like Adidas, Nike, Apple and others) (7).
- 2) Globalization widens the gap between rich and poor thereby increasing social inequality. The benefits of globalization on developing countries aren't universal.
- 3) Globalization increase foreign treaties and collaborations (Education, Nuclear plants, Military weapons, Resources and others).
- 4) Globalization indirectly makes the developing country a commercial and political colonized country.

CONCLUSION

The process of globalization has involved almost all the countries in the world. This paper has been able to show globalization as a complex process with wide reaching impacts on developing countries. Developing countries such as India have been affected by globalization and whether negatively or positively, the economies of these countries have improved under the influence of globalization. It has increased FDI, helped reducing inflation and boosted international trade positively. GDP and positive growth rate has helped to improve India's global position. On the other hand, it has brought drawbacks too; Many customs and cultures have disappeared such as traditional clothes and linguistics. In health care perspective, globalization has brought in new technologies and medicines. But also been the reason for increase in violence, drug abuse, narcotics smuggling and spread of deadly diseases. Globalization has its own disadvantages yet has brought more benefits to India. It has intensified our country's interdependence and competition between other developing and developed nation across the world. In this paper, one can find that

India is getting a global recognition and slowly moving towards major economic and political power. On a general sense, Globalization in Indian context can be considered as a great opportunity to prosper. At the same time, its negative impact can be minimized or controlled through constant adjustment, policies and political measures.

REFERENCES

- 1) Kotilainen, M & Kaitila, V. (3/2002). "Economic Globalization in Developing Countries", *The Journal of Economic in Developing Countries*, pp. 70.
- 2) Agrawal, Rinku. (27/7/2014). "Globalization and its effect on India", *Economic Affairs: Vol. 59 Special Issue: 797-803: 2014*, pp. 1 – 8.
- 3) Singh, Sikander. (2013). "Impact of Globalization on Developing Countries and India", *The Global eLearning Journal: Vol. 2*, pp. 1 – 10.
- 4) Yolshin, S. (2017) "The Impact of Globalization on Developed Countries". (Online) Available: <https://conf.ztu.edu.ua/wp-content/uploads/2017/05/222.pdf> (December 15, 2017).
- 5) Mubiru, E. (2003). "The Effects of Globalization on Trade – A Special Focus on Rural Farmers in Uganda", (Online) Available: [http://www.globalempowerment.org/PolicyAdvocacy/pahome2.5.nsf/gereports/F AA90E89364586A388256E460083628B/\\$file/Edward.pdf](http://www.globalempowerment.org/PolicyAdvocacy/pahome2.5.nsf/gereports/F AA90E89364586A388256E460083628B/$file/Edward.pdf) (December 14, 2017).
- 6) Goldberg, P.K. & Pavcnik, N. (2007). "Distributional Effects of Globalization in Developing Countries", *Journal of Economic Literature*, Vol. 45, pp. 39–82.
- 7) Hamdi, Fairouz. (11/7/2015). "The Impact of Globalization in the Developing Countries". (Online) Available: <https://www.linkedin.com/pulse/impact-globalization-developing-countries-fairouz-hamdi> (December 14, 2017).
- 8) Saker, L, Lee, K, Cannito, B, Gilmore, A & Campbell-Lendrum, D. (2004). "Globalization and infectious diseases: A review of the linkages, Social, Economic and Behavioral Research", Vol. 2, pp. 1-21.
- 9) Rodrigo. (18/3/2015). "Globalization Essay: Positive and Negative Impacts on the Developing World", (Online) Available: <https://writepass.com/journal/2015/03/globalisation-essay/> (December 16, 2017).
- 10) India Today (11/11/2017). "About 100 people from Kerala joined ISIS over the years: Police". (Online) Available: <https://www.google.co.in/amp/m.indiatoday.in/lite/story/about-100-keralites-suspected-to-have-joined-isis-police/1/1087549.html> (December 16, 2017).
- 11) Banerjee, Chandrajit. (2017). "India's Integration into the new dynamics of Global Economy", *Confederation of Indian Industry*. (Online) Available: <https://ciiblog.in/indias-integration-global-economy/> (December 16, 2017).
- 12) Stallings, B. (2000). "Globalization and Liberalization: A View from the Developing". U.N. Economic Commission for Latin America and the Caribbean.
- 13) Goyal, K.A. (2006). "Impact of Globalization on Developing Countries" (With Special Reference to India), *International Research Journal of Finance and Economics*, 5.
- 14) "Will globalization benefits or disadvantages" (04/2009). (Online) Available: <http://thegptutor.blogspot.com> (December 10, 2017).
- 15) Thirlwall, A. P. (2003), "Growth & Development with special reference to developing economies", (7th edition). Palgrave Macmillan: New York.