



GLOBALISATION IN INDIA: A DOUBLE-EDGED SWORD

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ABSTRACT

Globalisation of economy refers to integration of economies of the world through trade, financial flows, and mutual exchange of technology and knowledge. It is the increased and intensified flow of goods, services, capital, ideas and people to produce cross border integration of social, economic and cultural activities. The paper states the concept of Globalisation, its background and impact of Globalisation on various sectors. The paper examined various advantages of Globalisation which leads to economic growth. The paper studies various possible challenges in front of India due to Globalisation. The paper evaluates some key findings and suggestions to draw out a conclusion.

KEYWORDS: Globalisation, Advantages and Challenges of Globalisation, Liberalization, Privatization, Sector Reforms

INTRODUCTION

Globalisation is a process which integrates regional economies, societies and cultures through global network of transportation, communication and trade. It is the integration of the national economies into the international economies through trade, foreign direct investment, and spread of technology etc as well as integration of social relations.

BACKGROUND

Prior to 1991, India was a Mixed Economy but controlled whole or substantially the whole by Government. Economy suffered from huge fiscal and revenue deficits, adverse Balance of Payments (BOP) and Balance of Trade (BOT), Sick Public Sector Undertakings (PSUs), defer and default in payment of foreign borrowing by Government etc. In October 1990, World Bank's Report advocated a 20 percent devaluation of rupee to correct the balance of payments problem. In 1991, the country experienced the Gulf War and the downfall of the erstwhile Soviet Union which further worsened the situation. Thus, Narasimha

Rao and Manmohan Singh set out redeem for crisis and proposed the New Economic Policy, 1991.

In beginning of July 1991, Economy started shifted to Mixed Economy with equal control and opportunities for Private enterprises as New Economic Policy introduced Liberalisation, Privatisation and Globalisation (LPG) as major economic reforms. Primary objective of this model was to make the economy of India the fastest developing economy on the globe with capabilities that help it to match up with the biggest economies in the world, i.e., the Developed Economies.

Liberalisation refers to the slackening of government regulation, i.e., the freedom from the government licensing, import regulations, policy and procedures and less red tapism. The economic liberalisation denoted the continuing financial reforms which began since 24 July, 1991.

Privitisation refers to the participation of private entities in businesses and services and transfer of ownership from public sector (or government sector) to the private sector as well, i.e., disinvestment in public

companies by government except for few basic companies like Defense, Railways, Nuclear etc.

Globalisation means consolidation of various economies of the world, i.e., to take economies of all the countries together as 'World Economy' due to which countries are not limited to domestic economy rather they are competing with the 'World Economy'

Major measures initiated as a part of LPG strategy in early 90's are following:

- ✧ Disinvestment
- ✧ Devaluation
- ✧ Allowing Foreign Direct Investment (FDI)
- ✧ Abolition of MRTP Act
- ✧ Removal of quantitative restrictions on imports
- ✧ Reduction of peak custom tariffs
- ✧ Dismantling the Industrial Licensing Regime
- ✧ Non Resident Indian Scheme
- ✧ Opening industries reserved for the Public sector to private participation

IMPACT ON VARIOUS SECTORS

The impact of Globalisation on various sectors is as follows:-

- ✧ **Agricultural Sector-** Agriculture sector is the major contributor in production and employment generation in India. Globalisation have helped in assessing new technology, raising living standards, alleviating poverty, assured food security, creating market for expansion of industries and services and substantial contribution to the national economic growth. The negative effects are increased burden on farmers leading them to die due to hunger or suicide, disguised unemployment etc.
- ✧ **Industrial Sector-** The effect of Globalisation on this sector can be analyzed from 90's after the introduction of New Economic Policy. Positive effects of Globalisation in this sector are setting up foreign companies in India, providing employment, accessibility of new and advanced technology. Some of the negative impacts are reduction in number of people desired to do a job due to technological changes, increased competition etc.
- ✧ **Service Sector-** Service sector is the sector which is most benefitted by Globalisation. As, after introduction of LPG there is vast pool of employment and growth opportunities in the sector. Its contribution in GDP is increasing and has a great potential. It has negative impact too like women safety issues, required skilled workforce leading to unemployment etc.

REVIEW OF LITERATURE

- **Dasgupta (2003)** provided with the overview of Globalisation and its positive and negative impacts on state of women in India in the article '*Globalisation and Indian Women: Problems, Possibilities and Information Needs- An Overview*'
- **Fischer (2003)** pointed out various challenges with globalization and took some key issues like effect of globalization on poverty, inequality, growth of economy etc.
- **Thoumrungroje (2004)** investigated in the thesis '*The Effects of Globalization on Marketing Strategy and Performance*' the effects of globalization and alliances by firms on firm's performance. It concluded that globalization is a two edged sword.
- **Nayar (2006)** concluded that Globalization have a positive impact on economy, industrialization, stabilization and nationalization in India in discussion paper '*India's Globalization: Evaluating the Economic Consequences*'
- **Gorodnichenko, Svejnar & Terrell (2008)** concluded in their discussion paper '*Globalization and Innovation in Emerging Markets*' that inverted U relationship between competition and innovation is more present in firms with pro-business environment.
- **Yucel & Dagdelen (2010)** examined in the book '*Globalization-Today, Tomorrow*' marketing ethics and social responsibility under international settings by business managers. It proposed to have a uniform code of ethics and social responsibility to solve cultural differences.
- **Dhanabhakym & Sakthipriya (2012)** in article '*India's Economic Performance-Globalisation as Its Key Drive*' concluded various negative and positive effects of globalization.
- **Arora (2012)** assessed in article '*Gender Inequality, Economic Development and Globalization: A state level analysis of India*' health and education as the major parameters and concluded that gender inequality in high in high income states.
- **Singh (2012)** examined in article '*Globalization and It's Impact on Indian Economy*' the economic reforms in India in post and pre reform periods.

- **Jindal (2013)** concluded in article '*Globalization- It's Socio-Economic Impact in India*' that Globalization provided a brief relief to economy but also cause damaged to social structure.
- **Dr. Meenu (2013)** studied the impact in article '*Impact of Globalisation and Liberalisation on Indian Administration*' and concluded various positive as well as negative impacts.
- **Indian Brand Equity Foundation & Tech Sci Research (2015)** released brief overview of the Agriculture sector in the report named '*Agriculture*'.
- **Bharade and Somalkar** in the article '*Impact of Globalization on Indian Market*' provided brief overview on Globalisation, factors that enabled it and its positive impact on growth of economy.
- **Singh** stated in article '*Challenges of Globalization on Indian Higher Education*' the impact of Globalization on education and various associated challenges

OBJECTIVE OF THE STUDY

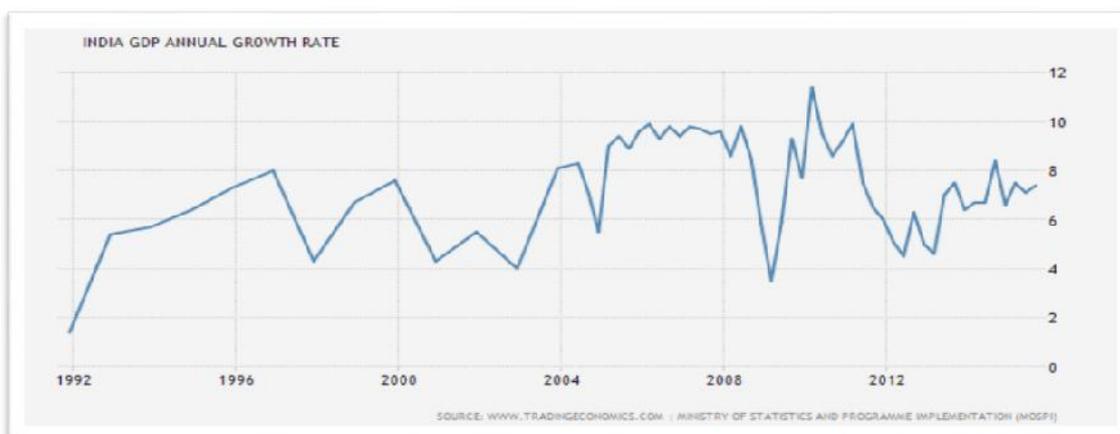
The paper uses an exploratory research technique based on past literature from respective journals, reports, newspapers and magazines covering wide collection of academic literature on Globalisation. The objectives of the paper are:

1. To study the impact of Globalisation on India
2. To examine the various challenges of Globalisation

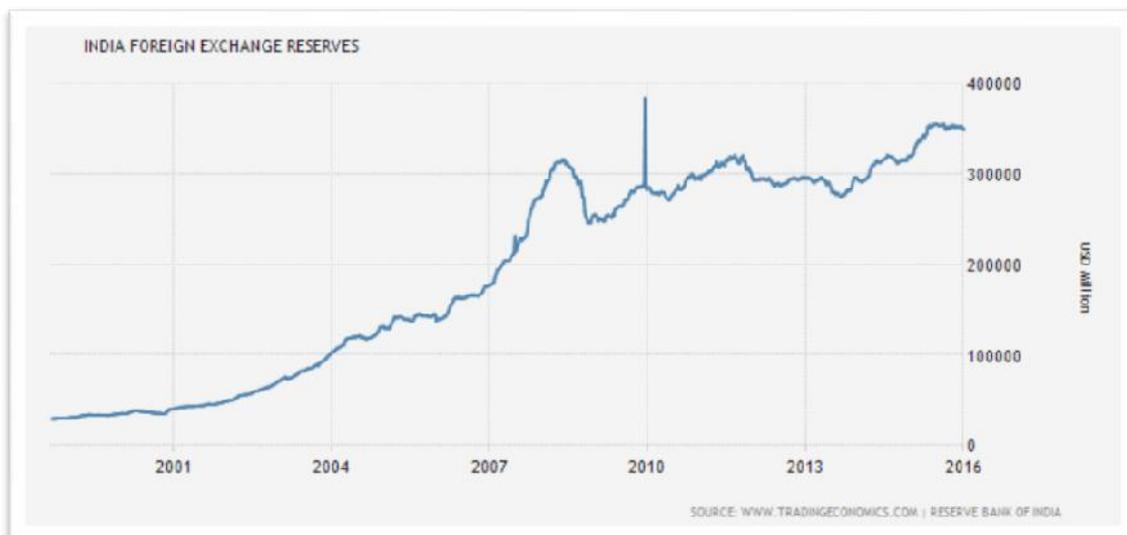
IMPLICATIONS OF GLOBALISATION

Globalisation has many positive implications but being a double edged sword it has various negative impacts too. Some of the implications positive as well as negative are:-

- **Growth of GDP-** The economic scenario in India is stable over the years even after the great depression in 2008. The India recorded a GDP of 7.4% for the period of November 2015 which is higher than the forecasted rate of 7.1%. Although GDP growth rates are not phenomenal but certainly are encouraging.

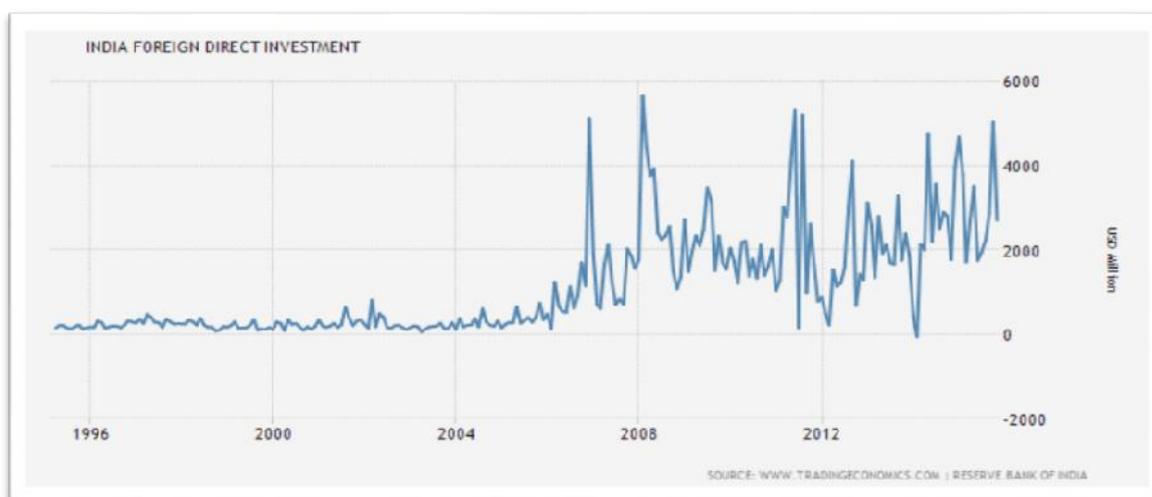


- **Technological Innovation-** Globalisation has led to innovation in technology as free flow of technology is possible from one country to another. Now, people have free access to foreign technology like latest phones, Computers etc. The technological innovation has led to construction of rails, road, development of industry etc. But India being a developing country is dumped by the technology which is either obsolete or outdated which in turn led to slow growth of the economy as compared to developed nations.
- **Increased Foreign Exchange Reserves-** These are the foreign assets like gold or other currency being held by Central bank. It had grown significantly since 1991, from USD 5.8 billion to USD 348.93 billion. Although there is increase in Foreign Exchange Reserves but not up to the mark.



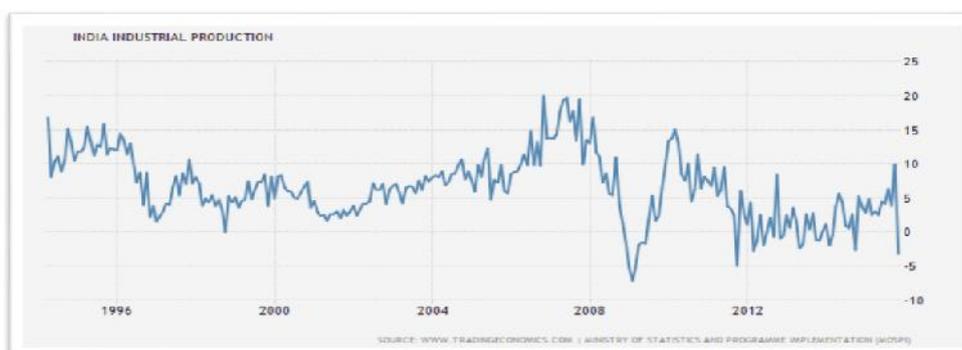
- Growth in FDI Inflows-** Foreign Direct Investment is a medium through which the foreign companies and residents of one country acquire ownership of assets of a firm in another country. Presently, FDI is USD 2701 million as compared to previous USD 5350 million and

almost nil in end of 1991. FDI had grown tremendously but largely in brownfield sector i.e., by means of mergers and acquisitions rather than green field which would have benefitted the industry.



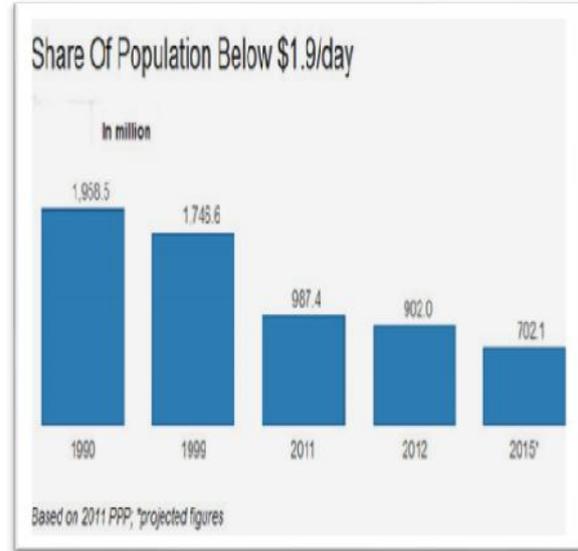
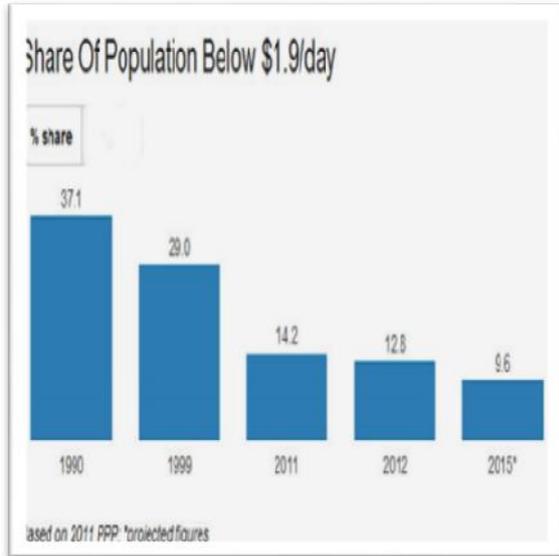
- Industrial Production Growth-** Industrial sector is the advantageous sector from globalisation, it not only intends to bring new technology but also boost innovation in the

industry. Thus, industrial sector is growing at the rate between 4-10%. The rate of increase in industrial production is comparatively low.



- Reduction in Poverty** - As per *World Bank*, the poverty rate has been reduced to 12.4% (2011-12) majorly due to rural electrification and greater rural spending. There is also a decline in people below poverty line from 269 million

people to 172 million people but still the number of rural landless families is increasing and farmers are dying either due to starvation or committing suicide.



- Unemployment Rate**- Employment generation is present in service sectors like IT, travel and tourism etc but the growth of labour has been stagnated. From the table below it can be seen the rate of unemployment in 2013 (8.8%)

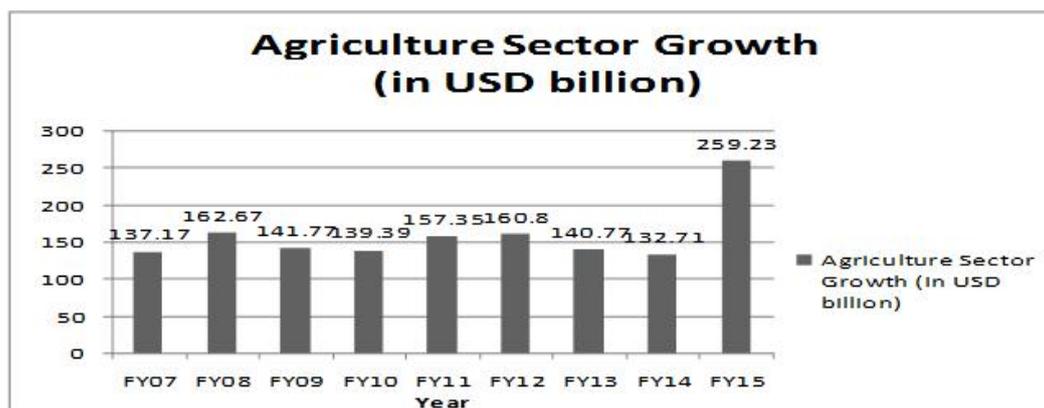
is still as high as in 2002. Thus, even though globalisation is present in economy since 1991 still unemployment is high. It is because our majority population is employed in agricultural sector and growth in that sector is low.

Rate of Unemployment in India (In %)												
Country	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
India	8.8	9.5	9.2	8.9	7.8	7.2	6.8	10.7	10.8	9.8	8.5	8.8



- Growth in Agricultural sector**- GDP of the year 2015 for agriculture and allied services is USD 259.23 billion with a growth rate

of 8.3%. It is a primary source of livelihood for 58% of the population but still the sector growth rate is low.



- **Other Social Parameters-** Even though there is growth in Literacy rate but still there is vast pool of population which is illiterate. Infant Mortality Rate is very high in India; it also ranks poor in Human Development Index. There is a rise of slum areas in many states.

CHALLENGES OF GLOBALISATION

The major challenges to be faced regarding Globalisation are:

- The first and foremost challenge is Environment & Climate change. It is the byproduct of Globalisation, Privatisation and Industrialisation. Now the whole world is facing the change in climate and deterioration of environment due to pollution and hazardous waste by the companies.
 - The other challenge is the increasing number of frauds and cyber crimes. Due to improvement in technology more frauds are prevalent.
 - Unemployment is still the most important challenge before Globalisation. Globalisation has led to increased use of capital intensive techniques resulting increase in skilled labour.
 - The next major challenge is low growth in GDP, Agricultural and Manufacturing sector, as well as low Infrastructure and Industrial development.
 - There are some challenges before Globalisation due to political restrictions like restrictive trade policies, licensing, internal and external security problems etc.
 - Competition is also the biggest challenge prevailing in the World economy as now the companies have to compete globally with each other which impose risks.
- Due to integration of countries economies together as 'World Economy' it led to interdependence of the different economies on each other. As a result Government of India is not a sole driver of economy; it is influenced by international policies and economic conditions. Thus, it is a challenge to direct economic activities satisfying both domestic economic needs and international policies.
 - Market Surveys and Analysis for a product is becoming difficult due to different cultures, values, and beliefs etc of customers in different countries. Similarly, handling human resource cross-culturally is becoming more and more complex and difficult.
 - Another major hurdle in front of Globalisation is poverty should be reduced and bridging the gap between rich and poor. Foreign companies are starting ventures mainly in Urban states leading to formation of 'Bharat (Rural India)' and 'India (Urban India)'.
 - Foreign companies, its foreign products and investments in form of Brownfield investment are a major challenge before Government as it is adversely affecting the various established companies of India.
 - The loss being suffered on account of reduction of custom duties are far more as compared to opportunities being opened by export promotion.

KEY FINDINGS AND SUGGESTIONS

The key finding from the exploratory study is that Globalisation has both positive as well as negative impact on India. It has positive indicators in economic context while in social context there are less significant improvements.

The following suggestions will help India to be more beneficial from the Globalisation. The suggestions are drawn from evaluation of data available as well as evaluating various articles.

- ✧ Government should frame necessary policies to integrate domestic economy needs as well as satisfying international policies. Policies related to FDI, Foreign exchange, Import and Exports etc should strengthen the base of economy.
- ✧ Government should take necessary steps to protect domestic companies from the competition so that they can grow. It can provide various subsidies and should promote the domestic companies. It should encourage foreign companies to start ventures in rural areas for rural development and reducing poverty as well as unemployment.
- ✧ There is an urgent need to have cross-cultural conflict management trainings to overcome the challenge of conflicts inside companies.
- ✧ There is an urgent need for strict laws against Cyber crimes and damages to Environment by companies. The appellate authorities should have an access to speedy trials and judgments.

CONCLUSION

Globalisation has improved the economic conditions of India prevailing in 1991. India had gained many advantages from Globalisation like growth in Gross Domestic Product, Foreign Exchange reserves, Foreign Direct Inflows etc but it was not free from inherent disadvantages like increased unemployment, increased competition, reduced use of domestic goods etc. Globalisation is a double edged sword as it is not only beneficial for economy of India but it also dangerous. Government need to take necessary steps to overcome various challenges and be self reliant. It should choose best combination of policies to avoid pitfalls in future.

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