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IMPACT OF GLOBALIZATION ON INDIAN ECONOMY

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ABSTRACT

Indian economy had experienced major policy changes in early 1990s. 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 describes a process by which regional economies, societies, and cultures have become integrated through a global network of communication, transportation, and trade. The term is sometimes used to refer specifically to economic globalization: the integration of national economies into the* ***international economy*** *through trade, foreign direct investment, capital flows, migration, and the spread of technology. Globalization as a spatial integration in the sphere of social relations when he said*

"Globalization can be defined as the intensification of worldwide social relations which link distant locations in such a way that local happenings are shaped by events occurring many miles away and vice – versa." Globalization generally means integrating economy of our nation with the world economy. The economic changes initiated have had a dramatic effect on the overall growth of the economy. It also heralded the integration of the Indian economy into the global economy. The Indian economy was in major crisis in 1991 when foreign currency reserves went down to $1 billion. Globalization had its impact on various sectors including Agricultural, Industrial, Financial, Health sector and many others.

India gained highly from the LPG model as its ***GDP*** *increased to 9.7% in 2007-2008. In respect of market capitalization, India ranks fourth in the world. But even after globalization, condition of agriculture has not improved. The share of agriculture in the GDP is only 17%.The government should take immediate steps to increase agricultural production and create additional employment opportunities in the rural parts, to reduce the growing inequality between urban and rural areas and to decentralize powers .*

KEY WORDS: Liberalization, Market capitalization, Globalization, GDP, Economic reform, Indian policies.

INTRODUCTION

Indian economy had experienced major policy changes in early 1990s. 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. The series of reforms undertaken with respect to industrial sector, trade as well as financial sector aimed at making the economy more efficient. With the onset of reforms to liberalize the Indian economy in July of 1991, a new chapter has dawned for India and her billion plus population. This period of economic transition has a tremendous impact on the overall economic development of almost all major sectors of the economy, and its effects over the last decade can hardly be overlooked. Besides, it also marks the advent of the real integration of the Indian economy into the global economy.

This era of reforms has also ushered in a remarkable change in the Indian mindset, as it deviates from the traditional values held since Independence in 1947, such as self reliance and socialistic policies of economic development, which mainly due to the inward looking restrictive form of governance, resulted in the isolation, overall backwardness and inefficiency of the economy, amongst a host of other problems. This, despite the fact that India has always the potential to be on the fast track to prosperity.

Globalization is a process by which regional economies, societies, and cultures have become integrated through a global network of communication, transportation, and trade. The term is sometimes used to refer specifically to economic globalization: the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology. Globalization as a spatial integration in the sphere of social relations when he said, **"Globalization can be defined as the intensification of worldwide social relations which link distant locations in such a way that local happenings are shaped by events occurring many miles away and vice – versa."** Globalization generally means integrating economy of our nation with the world economy. The economic changes initiated have had a dramatic effect on the overall growth of the economy. It also heralded the integration of the Indian economy into the global economy. The Indian economy was in major crisis in 1991 when foreign currency reserves went down to $1 billion. **Globalization had its impact on various sectors including Agricultural, Industrial, Financial, Health sector and many others.**

NEW ECONOMIC POLICY 1991

Dr. Man Mohan Singh brought a new policy which is known as **Liberalization, Privatization and Globalization Policy (LPG Policy)** also known as New Economic Policy,1991 as it was a measure to come out of the crisis that was going on at that time. The following measures were taken to liberalize and globalize the economy:

Devaluation: The first step towards globalization was taken with the announcement of the devaluation of Indian currency by 18-19 percent against major currencies in the international foreign exchange market. In fact, this measure was taken in order to resolve the BOP crisis.

Disinvestment- In order to make the process of globalization smooth, privatization and liberalization policies are moving along as well. Under the privatization scheme, most of the public sector undertakings have been/ are being sold to private sector.

Allowing Foreign Direct Investment (FDI): FDI was allowed in a wide range of sectors such as Insurance, defence industries.

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

The New Economic Policy (NEP-1991) introduced changes in the areas of trade policies, monetary & financial policies, fiscal & budgetary policies, and pricing & institutional reforms.

The salient features of NEP-1991 are:

- liberalization (internal and external),
- extending privatization,
- redirecting scarce Public Sector Resources to Areas where the private sector is unlikely to enter,
- globalization of economy, and
- market friendly state.

OBJECTIVES:

- To examine how globalization of agriculture would have an effect on agricultural production, change efficiencies and influence social issues in India.
- To take stock of the existing trade models and assess the role of (Research and Development) R&D in agriculture and technology intervention in agricultural trade.
- To evaluate whether all resources and appropriate trade models are in use and recommend the one that is most appropriate for the sector.
- And also assess how promising technologies, value addition and domestic reforms would promote trade and affect efficiencies and recommend solutions for them.

METHODOLOGY:

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The paper attempt to explore the concepts. It is secondary data base.

Impact of Globalization on Agricultural Sector

Agricultural Sector is the mainstay of the rural Indian economy around which socio-economic privileges and deprivations revolve and any change in its structure is likely to have a corresponding impact on the existing pattern of Social equity. The liberalization of

India's economy was adopted by India in 1991. Facing a severe economic crisis, India approached the IMF for a loan, and the IMF granted what is called a **'structural adjustment' loan,** which is a loan with certain conditions attached which relate to a structural change in the economy. Essentially, the reforms sought to gradually phase out government control of the market (liberalization), privatize public sector organizations (privatization), and reduce export subsidies and import barriers to enable free trade (globalization). Globalization has helped in:

- Raising living standards,
- Alleviating poverty,
- Assuring food security,
- Generating buoyant market for expansion of industry and services, and
- Making substantial contribution to the national economic growth.

Impact of Globalization on Industrial Sector:

Effects of Globalization on Indian Industry started when the government opened the country's markets to foreign investments in the early 1990s. **Globalization of the Indian Industry took place in its various sectors such as steel, pharmaceutical, petroleum, chemical, textile, cement, retail, and BPO.**

Globalization means the dismantling of trade barriers between nations and the integration of the nations economies through financial flow, trade in goods and services, and corporate investments between nations. Globalization has increased across the world in recent years due to the fast progress that has been made in the field of technology especially in communications and transport. The government of India made changes in its economic policy in 1991 by which it allowed direct foreign investments in the country. The benefits of the effects of globalization in the Indian Industry are that many foreign companies set up industries in India, especially in the pharmaceutical, BPO, petroleum, manufacturing, and chemical sectors and this helped to provide employment to many people in the country. This helped reduce the level of unemployment and poverty in the country. Also the benefit of the Effects of Globalization on Indian Industry are that the foreign companies brought in highly advanced technology with them and this helped to make the Indian Industry more technologically advanced. The negative Effects of Globalization on Indian Industry are that with the coming of technology the number of labour required decreased and this resulted in many people being removed from their jobs. This happened mainly in the pharmaceutical, chemical, manufacturing, and cement industries.

Economic Impact of globalization in India

- Multilateral agreements in trade, taking on such new agendas as environmental and social conditions.
- New multilateral agreements for services, Intellectual properties, communications, and more binding on national governments than any previous agreements.
- Market economic policies spreading around the world, with greater privatization and liberalization than in earlier decades.
- Growing global markets in services. People can now execute trade services globally -- from medical advice to software writing to data processing, that could never really be traded before.

Impact on Financial Sector

Reforms of the financial sector constitute the most important component of India's programme towards economic liberalization.

The recent economic liberalization measures have opened the door to foreign competitors to enter into our domestic market. Innovation has become a must for survival. Financial intermediaries have come out of their traditional approach and they are ready to assume more credit risks. As a consequence, many innovations have taken place in the global financial sectors which have its own impact on the domestic sector also. The emergences of various financial institutions and regulatory bodies have transformed the financial services sector from being a conservative industry to a very dynamic one.

Impact on Export and Import

India's Export and Import in the year 2001-02 was to the extent of 32,572 and 38,362 million respectively. Many Indian companies have started becoming respectable players in the International scene. Agriculture exports account for about 13 to 18% of total annual of annual export of the country. In 2000-01 Agricultural products valued at more than US $ 6million were exported from the country 23% of which was contributed by the marine products alone. Marine products in recent years have emerged as the single largest contributor to the total agricultural export from the country accounting for over one fifth of the total agricultural exports. Cereals (mostly basmati rice and non-basmati rice), oil seeds, tea and coffee are the other prominent products each of which accounts fro nearly 5 to 10% of the countries total agricultural exports.

Technological & Cultural impact of globalization in India.

- Access to television grew from 20% of the urban population (1991) to 90% of the urban population (2009). Even in the rural areas satellite television has grown up in market.
- In the cities Internet facility is everywhere. Extension of internet facilities even to rural areas.
- Global food chain /restaurants has already found a huge market in the urban areas of India.
- Lavish Multiplex movie halls, big shopping malls and high rise residentials are seen in every cities.

Telecommunication and Software Industries are booming in India.

- Entertainment sector in India has a worldwide market. Bollywood movies are distributed and accepted worldwide. Big international companies(Walt Disney,20th Century Fox, Columbia Pictures) are investing on this sector.
- Famous International brands (Armani, Gucci, Nike, Omega etc.) are investing in the Indian market with the changing of fashion statement of Indians.

Advantages of Globalization

- There is an International market for companies and for consumers there is a wider range of products to choose from.
- Increase in flow of investments from developed countries to developing countries, which can be used for economic reconstruction.
- Greater and faster flow of information between countries and greater cultural interaction has helped to overcome cultural barriers.
- Technological development has resulted in reverse brain drain in developing countries.

Demerits of Globalization (Challenges)

- The outsourcing of jobs to developing countries has resulted in loss of jobs in developed countries.

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- There is a greater threat of spread of communicable diseases.
- There is an underlying threat of multinational corporations with immense power ruling the globe.
- For smaller developing nations at the receiving end, it could indirectly lead to a subtle form of colonization.
- The number of rural landless families increased from 35 %in 1987 to 45 % in 1999, further to 55% in 2005. The farmers are destined to die of starvation or suicide.
- Some section of people in India, basically poor and very poor, tribal groups, they did not feel the heat of globalization at all.They remain poor & poorest as they were.
- Increased gap between rich and poor fuels potential terrorist reaction.
- Ethical responsibility of business has been diminished.
- Youth group of India leaving their studies very early and joining Call centres to earn easy money thereby losing their social life after getting habituated with monotonous work.
- High growth but problem of unemployment.
- Multi party rule, hence political ideology intervenes globalization (reservation, labor law reforms).
- Price hike of every daily usable commodities.

Impact of globalization on education in India

- Literacy rate in India at present is 74.04%
- Foreign Universities are collaborating with different Indian Universities.

Year	Literacy Rate			Male - Female
	Person	Male	Female	Gap
1981	43.6	56.4	29.8	26.6
1991	52.2	64.1	39.3	24.8
2001	65.4	75.8	54.2	21.6
2010	74.04	82.4	65.46	16.94

The Bright Side of Globalization

The rate of growth of the Gross Domestic Product of India has been on the increase from 5.6 per cent during 1980-90 to seven per cent in the 1993-2001 period. In the last four years, the annual growth rate of the GDP was impressive at 7.5 per cent (2003-04), 8.5 per cent (2004-05), nine per cent (2005-06) and 9.2 per cent (2006-07). Prime Minister Manmohan Singh is confident of having a 10 per cent growth in the GDP in the Eleventh Five Year Plan period.

The foreign exchange reserves (as at the end of the financial year) were $ 39 billion (2000-01), $ 107 billion (2003-04), $ 145 billion (2005-06) and $ 180 billion (in February 2007). It is expected that India will cross the $ 200 billion mark soon. The cumulative FDI inflows from 1991 to September 2006 were Rs.1, 81,566 crores (US $ 43.29 billion). The sectors attracting highest FDI inflows are electrical equipments including computer software and electronics (18 per cent), service sector (13 per cent), telecommunications (10 per cent), transportation industry (nine per cent), etc. In the inflow of FDI, India has surpassed South Korea to become the fourth largest recipient. India controls at the present 45 per cent of the global outsourcing market with an estimated income of $ 50 billion.

In respect of market capitalization (which takes into account the market value of a quoted company by multiplying its current share price by the number of shares in issue), India is in the fourth position with $ 894 billion after the US ($ 17,000 billion), Japan ($ 4800 billion) and China ($ 1000). India is expected to soon cross the trillion-dollar mark. As per the Forbes list for 2007, the number of billionaires of India has risen to 40 (from 36 last year) more than those of Japan (24), China (17), France (14) and Italy (14) this year. A press report was jubilant: This is the richest year for India. The combined wealth of the Indian billionaires marked an increase of 60 per cent from $ 106 billion in 2006 to $ 170 billion in 2007. The 40 Indian billionaires have assets worth about Rs. 7.50 lakh crores whereas the cumulative investment in the 91 Public Sector Undertakings by the Central Government of India is Rs. 3.93 lakh crores only.

The Dark Side of Globalization

On the other side of the medal, there is a long list of the worst of the times, the foremost casualty being the agriculture sector. Agriculture has been and still remains the backbone of the Indian economy. It plays a vital role not only in providing food and nutrition to the people, but also in the supply of raw material to industries and to export trade. In 1951, agriculture provided employment to 72 per cent of the population and contributed 59 per cent of the gross domestic product. However, by 2001 the population depending upon agriculture came to 58 per cent whereas the share of agriculture in the GDP went down drastically to 24 per cent and further to 22 per cent in 2006-07. This has resulted in a lowering the per capita income of the farmers and increasing the rural indebtedness.

The agricultural growth of 3.2 per cent observed from 1980 to 1997 decelerated to two per cent subsequently. The Approach to the Eleventh Five Year Plan released in December 2006 stated that the growth rate of agricultural GDP including forestry and fishing is likely to be below two per cent in the Tenth Plan period. The reasons for the deceleration of the growth of agriculture are given in the Economic Survey 2006-07: Low investment, imbalance in fertilizer use, low seeds replacement rate, a distorted incentive system and lo post-harvest value addition continued to be a drag on the sectors performance. With more than half the population directly depending on this sector, low agricultural growth has serious implications for the inclusiveness of growth.

The number of rural landless families increased from 35 per cent in 1987 to 45 per cent in 1999, further to 55 per cent in 2005. The farmers are destined to die of starvation or suicide. Replying to the Short Duration Discussion on Import of Wheat and Agrarian Distress on May 18, 2006, Agriculture Minister Sharad Pawar informed the Rajya Sabha that roughly 1, 00,000 farmers committed suicide during the period 1993-2003 mainly due to indebtedness. In his interview to The Indian Express on November 15, 2005, Sharad Pawar said: The farming community has been ignored in this country and especially so over the last eight to ten years. The total investment in the agriculture sector is going down. In the last few years, the average budgetary provision from the Indian Government for irrigation is less than 0.35 percent.

During the post-reform period, India has been shining brilliantly with a growing number of billionaires. Nobody has taken note of the sufferings of the family members of those unfortunate hundred thousand farmers. Further, the proportion of people depending in India on agriculture is about 60 % whereas the same for the UK is 2 %, USA 2 %and Japan 3 %. The developed countries, having a low proportion of population in agriculture, have readily adopted globalization which favors more the growth of the manufacturing and service sectors.

About the plight of agriculture in developing countries, Nobel Prize-winning economist Joseph Stiglitz said: Trade agreements now forbid most subsidies excepted for agricultural goods. This depresses incomes of those farmers in the developing countries who do not get subsidies. And since 70 per cent of those in the developing countries depend directly or indirectly on agriculture, this means that the incomes of the developing countries are depressed. But by whatever standard one uses, todays international trading regime is unfair to developing countries. He also pointed out: The average European cow gets a subsidy of $ 2 a day (the World Bank measure of poverty); more than half the people in the developing world live on less than that. It appears that it is better to be a cow in Europe than to be a poor person in a developing country.

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