

Research Paper

Impact of Globalization on Indian Economy

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ABSTRACT

Today the entire world has shrunk into a global village. However this has some negative impacts too. The article deals with the benefits we get from the concept of globalization. At the same time it tells us about the evils it has brought along with it.

Keywords:- globalization, global, Indian, information

Introduction:-

Globalization is the new buzzword that has come to dominate the world since the nineties of the last century with the end of the cold war and the break-up of the former Soviet Union and the global trend towards the rolling ball. The frontiers of the state with increased reliance on the market economy and renewed faith in the private capital and resources, a process of structural adjustment spurred by the studies and influences of the World Bank and other International organizations have started in many of the developing countries. Also Globalization has brought in new opportunities to developing countries. Greater access to developed country markets and technology transfer hold out promise improved productivity and higher living standard. But globalization has also thrown up new challenges like growing inequality across and within nations, volatility in financial market and environmental deteriorations. Another negative aspect of globalization is that a great majority of developing countries remain removed from the process. Till the nineties the process of globalization of the Indian economy was constrained by the barriers to trade and investment liberalization of trade, investment and financial flows initiated in the nineties has progressively lowered the barriers to competition and hastened the pace of globalization

Impact of Globalization of Indian Economy :-

This now allows us to draw a tale of two Indians: We have everything by globalization, we have nothing by globalization. There is sparkling prosperity and stinking poverty. We have the best times; we have the worst of times. In India, there had been winners and losers. The lives of the educated and the rich had been enriched by globalization. The information technology (IT) sector was a particular beneficiary. But the benefits had not yet reached the majority, and new risks had cropped up for the losers the socially deprived and the rural poor. Significant numbers of non-perennial poor, who had worked hard to escape poverty, were finding their gains reversed. Power was shifting from elected local institutions to unaccountable trans-national bodies. Western perceptions, which dominated the globe media, were not aligned with local perspectives; they encouraged consumerism in the midst of extreme poverty and posed a

threat to cultural and linguistic diversity.

After four decades of planning for industrialization, we have now reached a stage where we should welcome, rather fear, foreign investment. Direct foreign investment would provide access to capital, technology and market. The economic policy initiated by the Government of India has become the lodestar of the fiscal outlook of the government. Is the process of globalization a new morning of a false dawn?

The Best Times of Globalization :-

The rate of growth of the Gross Domestic Product of India has been grown by 6% since early 1990s, 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 Dr. Man Mohan Singh is confident of having a 10 per cent growth in the GDP in the Eleventh Five Year Plan period.

India's per capita income has been rising by about 4%. This is increasingly reflected in a significant reduction in the poverty ratio by 14.4%. The Per capita income, according to advance estimates for national income released today, is expected to grow by 14.4 per cent during the current fiscal, the highest growth rate recorded in a single year in the last decade. Though the Gross Domestic Product growth rate during the current fiscal is estimated to drop to 7.1 per cent from 9 per cent a year ago, per capita income is expected to soar by Rs.4,801 to Rs. 38,084 during 2008-09. The growth rate of per capita income in 2007-08 is projected at 7.2 per cent as compared to 8.1 per cent in 2006-07.

Our increasing national confidence is mirrored by growing interest that the world is taking the Indian Economy as an investment destination. The process of opening up of the Indian Economy is taking place in sure and steady steps. Trade liberalization, involving withdrawal of quantitative restriction, tariffs cuts at simplification of procedures, compatible with World Trade Organization (WTO) commitments, is now globalizing production system in the Indian Economy.

The foreign exchange reserves (as at the end of the financial year) were \$ 39 billion (2000-01), \$ 107 billion

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(2003-04), \$ 145 billion (2005-06) and \$ 180 billion (in February 2007). The Foreign Exchange Reserve is expected that India will cross the \$ 200 billion mark soon. In 2009 India's foreign exchange reserves rose US\$ 990 million to US\$ 248.6 billion in the week ended January 30, a report by the Reserve Bank of India..

In the inflow of FDI, India has surpassed South Korea to become the fourth largest recipient. 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 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. Forbes' 2008 Top Ten Richest Billionaires in the World. The globe's wealthiest billionaires today and four of the top 10 are from India. Only one of those, Lakshmi Mittal, was among last year's 10 richest, moving up from fifth place to fourth in 2008.

The Worst Times 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 is the backbone of the Indian economy. More than half the population directly depends on Agriculture, low growth has serious implication for the inclusiveness of growth. The reason for the declaration of the growth of agriculture are; low investment, imbalance in fertilizer use, low seeds replacement rate, a distorted incentive system and low post harvest value etc. 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 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 mainly due to indebtedness.

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. 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.

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, today's

international trading regime is unfair to developing countries.

The market economy seems to be more concerned with the growth of consumerism to attract the high income groups who are mostly in the cities in the developing countries. Rural economy and the agricultural sector were out of focus in the strategy of globalization.

The most fundamental challenge of the process of economic growth is to convert itself into a process of economic development. A key disappointment in the process of economic reforms has been its inability to generate employment in Indian Economy. The proportion of the unemployed to the total labor force has been increasing from 2.62 per cent (1993-94) to 2.78 per cent (1999-2000) and 3.06 per cent (2004-05). In absolute figures, the number of unemployed had been in those years 9.02 million, 10.51 million and 13.10 million respectively. (.Economic Survey 2006-07, Table 10.4) According to the report on "Effect of Economic Slowdown on Employment in India," which is based on a sample survey of 2,581 units conducted by the Labour Bureau, Ministry of Labour and Employment, during October-December 2008, there was decrease in employment of about half a million workers during the period. Another thin sample survey conducted to assess the employment situation in January 2009 over December 2008 indicated a loss of about 1 lakh jobs in the month of January 2009.

About the quality of education given to children, the Approach to the Eleventh Five-year Plan stated: A recent study has found that 38 per cent of the children who have completed four years of schooling cannot read a small paragraph with short sentences meant to be read by a student of Class II. About 55 per cent of such children cannot divide a three digit number by a one digit number. These are indicators of serious learning problems which must be addressed.

The less said about the achievements in health the better. The Approach to the Eleventh Plan concedes that progress implementing the objectives of health have been slow. The Report gave the particulars of the rates of infant mortality (per 1000 live births) for India as 60 against Sri Lanka (13), China (30) and Vietnam (19). The rate of maternal mortality (per 1, 00,000 deliveries) of India is 407 against Sri Lanka (92), China (56) and Vietnam (130).

Fifty four per cent of Mumbai city is in slums. The FDI inflows in no way have assisted in improving the health and environment conditions of the people on the other hand, the financial capital of India and the political capital of India are set to become the topmost slum cities of the world. The cumulative FDI inflows (until September 2006) to the New Delhi region were of Rs. 27,369 crores and to Mumbai Rs. 24,545 crores. The two spots of New Delhi and Mumbai received 46 per cent of the total FDI inflows into India.

The Forbes Billionaires list saw a decline of 332 members. It's the first time since 2003 that the number of billionaires worldwide has dropped from one year to the next. There were 1,125 billionaires last year, whereas we have just 793 billionaires in 2009. That means a drop of 23%. Indian billionaires seem to have been hit the hardest. The total number of Indian billionaires is 24.29 billionaires dropped off the list. Anil Ambani, who was the biggest gainer on last year's Forbes' list was the biggest loser this year. His net worth fell down by US \$ 32 billion and the current net worth is US \$ 10.1 billion. His rank slipped from 6th in 2008 to 34th this year. His elder brother Mukesh is the richest Indian with a net worth of US \$ 19.5 billion.

To Make Globalization Work :-

Under the phenomenal growth of information technology which has shrunk space and time and reduced the cost of moving information, goods and capital across the globe, the globalization has brought unprecedented opportunities for human development for all, in developing as well as developed countries. Under the commercial marketing forces, globalization has been used more to promote economic growth to yield profits to some countries and to some groups within a country. India should pay immediate attention to ensure rapid development in education, health, water and sanitation, labour and employment so that under time-bound programmes the targets are completed without delay. A strong foundation of human development of all people not only in cities but also in the countryside is essential for the social, political and economic development of the country.

Though at present India appears to be dominant in some fields of development as in IT, this prosperity may be challenged by other competing countries which are equipping themselves with better standards of higher education. As detailed earlier, our progress in education has been slow and superficial, without depth and quality, to compete the international standards.

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 and resources to the panchayatraj institutions for implementing all works of rural development. Steps should be taken for early linking of the rivers, especially in the south-bound ones, for supply of the much-needed water for irrigation.

It should be remembered that without a sustainable and productive growth of the agricultural sector, the other types of development in any sphere will be unstable and illusory. Despite the concerted development in manufacturing and service sectors, despite the remarkable inflow and overflow of foreign reserves, agriculture is still the largest industry providing employment to about 60 per cent of the workforce in the country.

Conclusion :-

India's GDP growth has soared from 5-6% a few years ago to 9% today. If this growth is sustained, as the 11th Plan hopes to do, average living standards will rise and poverty will be reduced. Mere growth of the GDP and others at the macro level in billions does not solve the chronic poverty and backward level of living norms of the people at the micro level. The growth should be sustainable with human development and decent employment potential. The welfare of a country does not percolate from the top, but should be built upon development from the bottom.

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