

Globalization and Socio-Economic challenges in India

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ABSTRACT

LPG (Liberalisation, Privatisation and Globalisation) model was adopted by Indian Government during 1990-91 when Indian Economy was in a very bad shape. It was, however, adopted not as a solution to deteriorating Indian economy but to enable itself to get further foreign exchange loans from World Bank as its foreign exchange reserves were reduced to mere three weeks outflow. To rectify its ailing financial health, Government simultaneously decided to amend its economic policies and go for privatization & liberalization of its economy. In the overall view, these decisions had immediate positive effect. However, globalization soon 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 by-product, caused some permanent damage to Indian Economic system and Indian social structure.

Keeping in view the relevance of the subject, the attempt has been made in this paper to analyse the socio- economic challenges of globalisation and liberalisation in the Indian Economy. The study is based on secondary data and it is of descriptive type.

KEY WORDS: Privatization, Liberalization, current account deficits, disinvestment, western culture.

Introduction

Globalization (or globalisation) 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.

Globalisation can be seen as one of the most important force impacting on the economy. According to Brittan[4] globalisation is viewed "as a whirlwind of relentless and disruptive change which leaves governments helpless and leaves a trail of

economic, social cultural and environmental problems in its wake

Globalization was initially planned to be only a trade relationship. But the process has, as a by-product, integrated national & regional economies, societies and cultures through global network of trade, communications and migrations [1].

As per one estimate, there are about 200 million migrants around the world today and they are largely from underdeveloped countries to developed countries. In addition there is large transnational workforce. These immigrations and other human links have changed socio-cultural face of various countries the world over [2].

This paper would examine the economic and social effects of ongoing globalization in India. The attempt has been made in this paper to analyse the impact of globalisation and liberalisation over the socio-economic aspects of Indian Economy. The study is based on secondary data and it is of descriptive type

India is a multilingual, multi-religious and multi-caste country and has been a dominant player in the world system and part of the global economy since ages. Its civilisational past has been shaped and has evolved through a number of events, crisis, people and communities. It has not been an isolated country at any point of time as there has been a continuous exchange of ideas, products and people with other countries and civilisations. There are evidences that it has been integrating and assimilating ideas and people from all over the world. However, this has not been a one side flow as India has also influenced other regions, countries and civilizations through its contacts and interactions of traders, travelers, religious preachers and other migrants. [3] India has been a part of the bigger world system. It has kept on interacting with other countries. It therefore becomes essential to understand India in a global context to examine its problems and to seek solutions. Although economic in the core, globalization has pervasive effects on the society (Bauman, 1998 and Castle, 1999). It has its impact on the social structure, values, social institutions and attitudes. India is a multilingual,

multiethnic and multi-cultural society. Globalization has impacted noticeably on cultural identity and social harmony among various social groups. The Indian social structure is extremely categorized; replete with a multitude of enclaves of several types and strata. There are enclaves making rural-urban, men-women, caste-dalits, organized-unorganized, formal-informal, and so on.

As Boeke (1953) has put it, it is possible to characterize a society, in the economic sense, by the social spirit, the organizational forms and the technique dominating it. These three aspects are interdependent and in this connection typify a society, in this way that a prevailing social spirit and the prevailing forms of organization and of technique give a society its style, its appearance, so that in their interrelation they may be called the social system, the social style or the social atmosphere of that society. Less developed economies, especially with a history of prolonged colonial rule, often exhibit a simultaneous existence of two (or more) enclaves of socio-economic systems, characteristically and conspicuously different from each other, and each dominating a part of the society, the economy and the polity.

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. It was only after the LPG policy i.e. Liberalization, Privatization and Globalization launched by the then Finance Minister Man Mohan Singh that India saw its development in various sectors. If to divide the entire regime into phases :

ERAS OF GLOBALISATION

- First Era of Globalization(1850-1914)
- InterWar Period(1920-1939)
- Cold War Era(1945-1989)
- Second Era of Globalization(1989-present)

Main Form of globalization

1) Economic:

Under both the General Agreement on Tariffs and Trade (GATT) and its successor the World Trade Organization (WTO), world trade has expanded rapidly. TNCs have been the major force in increasing economic interdependence and several generations of newly industrialized countries have emerged.

2) Cultural

Mixing of cultures has occurred through - Migration - Rapid spread of news, ideas and fashions through the media, trade and travel - Growth of global brands – Nike, Coca cola, MacDonalds Western culture has diffused to all parts of the world through television, cinema, the internet, newspapers and magazines. This has been reflected in media, art, sport and leisure pursuits.

3) Political

The influence of nation states has diminished in many areas as more and more countries organize themselves into trade blocs. The influence of western democracies on developing countries has also been strong. Relationships are also political – the increasing role played by the United Nations around the world epitomizes the developing cooperation between nations growing importance of cross border pressure groups – Friends of the Earth, Amnesty International – ‘global civil society’. Their actions have led to international rules on trade, environment, human rights, war etc. Globalization can be seen in terms of: - Urban - a hierarchy of global cities has emerged to act as Centre’s for the global economy - Demographic – the growth of international migration and the rise of multicultural societies - Linguistic – the emergence of English as the working language of the ‘global village’ - Environmental – the impact of activity in one country has a clear impact in others – e.g. the spread of pollutants and the impacts of global warming

Influence of globalisation

1. Public-Private partnership
2. Competition in public sector
3. Efficiency
4. Effectiveness
5. Transparency
6. Responsiveness
7. Accountability
8. People participation
9. Business principles
10. Specialisation
11. Use of IT
12. Increase in productivity
13. Decrease in number of employees

Impact of liberalisation

1. Flexibility in policies
2. Increase in production
3. Lessen burden of work on administration
4. Increase in creativity
5. New experiments
6. Loosen the control of administration on economic and commercial activities

Economic challenges

The oil crisis in 1970’s and various other factors had created financial emergency in India around 1990 when foreign currency reserves were reduced to only 3 weeks outflow. Major factors for such a situation where stagnant economy, mounting fiscal deficits, current account deficits in international trade and high rate of inflation during the preceding many years. Fiscal deficit as a percentage of GDP

(Gross domestic Product) has been over 7 % during previous decade and it had touched 8.4% of GDP during 1990-91. Current account deficit was about

3.3% of GDP while rate of inflation was as high as 10%. Such a situation demanded some drastic steps including major structural changes in Indian Economic policies. At this point, Indian Government had no option but to accept the precondition of joining stream of Globalization so as to be able to avail loan/grant facility from World Bank. It agreed to reduce quantitative restrictions imposed through licensing system. It also agreed to reduce custom duties in phases to levels acceptable to WTO. Custom tariffs were reduced in phases over the decade 1991-2001 from weighted average of about 70% to about 30% [5]. However, realizing that Globalization, by itself, may not help the ailing Indian economy, the then Government of India decided to go for privatization of its economy and to adopt liberalized economic policies. Some steps towards these structural changes were [5]:-

- Virtual abolition of Industrial licensing Raj
- Free access to foreign technology
- Abolition of Government control over capital issues and creation of SEBI to encourage equity culture in India.
- Sharp reduction in industries reserved for public sector.
- Decision to go for partial disinvestment in public sector enterprises.

Policies of Privatization and liberalization of economy, along with the process of globalization, had a dramatic effect on Indian Economy which responded swiftly and positively to these measures. Fiscal deficit immediately came down to 5.9% in 1991-92 themselves. The real GDP increased at an annual rate of about 6%. Many new companies were formed by Indian entrepreneurs across different industrial segments in view of liberalized economic policies announced by Government. A large number of job opportunities, with good wages, became available in India. This resulted in sharp growth in middle Income Group which, in turn, fuelled domestic consumption. Liberalized policies on foreign direct investment (F.D.I) and Foreign

Institutional investment (F.I.I.) helped in faster developments in telecommunication, roads, ports, airports, Insurance and other major sectors. All above improvements in Indian Economy were largely due to changed Economic policies of Government of India. Globalization had only indirect contribution, if any, in above improvements. However, there are some other developments- not so happy developments- which are attributed to Globalization process only. A few of such developments are:

A. Direct effect of Globalization is intensified interdependence of Indian economy and world economy. As a result, it has become very difficult for Government of India to insulate its economy from World Economy. Government is no more the sole driver of Indian Economy which is influenced more and more by international policies and international economic conditions [5][1]. Direction and depth of all economic activities in India is now governed largely by global Economy.

B. Globalization has completely eroded the spirit of 'Swadeshi movement' run by Father of the Nation, Mahatma Gandhi. Large scale migrations from India and easy availability of foreign products have increased the exposure of Indian population to high quality and reputed foreign products/brands. Indians now prefer global brands over Indian brands. Globalization has adversely affected many established companies (like organisations manufacturing Ambassador cars or Fiat cars etc) which had failed to face competition from established global players.

C. Steep and fast reductions in custom duties have snatched large part of Indian market from Indian Industry and passed it on to imports from established global players. New opportunities for exports by Indian Industry opened up by globalization are no comparison to the loss it has suffered on account of reduction in demand of its products in local market of one billion people.

D. For its survival in the face of global competition, Indian industry has transformed itself from labour intensive processes to Capital intensive processes by adopting global technologies and automatic

machinery. This has resulted in high rate of unemployment in India. Unemployment is the biggest challenge for Indian Government today.

E. We can thus observe that Globalization does not seem to have helped Indian Industry. We may call globalization, at best, a double edged weapon. It has helped Indian consumers to enjoy all high Quality global brands. It did help Government of India to tide over its serious foreign exchange problem, though temporarily, by enabling it to get loan from World Bank. But, it has been at the cost of serious erosion of control of Indian Government over its economy and at the cost of local Industry

Social Challenges

Improved Economic conditions, increased recognition of human rights, unprecedented mobility and interaction of people from different countries have dented local cultures of people the world over. Transnational workforce and large scale immigrants, a product of globalization, are dispersing different cultures in various countries leading to a unified world culture that consists of a mixture of various regional cultures [2]. Global population is getting closer to sharing similar social values, aspirations, attitudes and life styles. Local culture, spiritual practices and core social - values have been getting reframed and a new meaning is being given to human life. It is globalization and globalization alone, which is responsible for changing people's outlook and life style [6]. To highlight the fact that our established socio culture systems have been severely affected, we examine here below some of the changes in various established practices: Indian society has always been a male dominated society. Male members have been sole bread earners and have been the sole face of family to outside world. Women folk have been only managing the family within four walls of their home. Globalization has struck a fatal blow to this established practice. To-day women are working in all spheres of Indian Economy. They have challenged male domination in all respects. To-day men are normally not free to take any family decision without consent of women folk. Indian joint family system has been appreciated

world over for strong relationships which provided support to everybody to face hard times and old age periods. Western culture has given new meaning to life to Indian youth [7]. They want to lead an independent life. They are getting more and more blunt in breaking relations with elders and in building nuclear families. Old & handicapped persons in the families are being forced to support themselves without any support from their children. These nuclear families are getting further divided due to strained relations of partners or due to displacement of one or the other partner to a far off place in pursuit of his/her employment.

Earlier, well defined religious practices were being blindly followed by one and all. But globalization has now brought in the spirit of reasoning which has weakened established practices. Secondly, work place integration of different cultures has inter-mixed the religions practices. This way old age religious practices which differentiated people from different religions are getting blurred [8]. Earlier life partners were searched from local areas and from within their caste. Now inter-caste marriages i.e. marriages within families with totally different social systems are quite common. Majority of such marriages are getting fructified either in the study institutions or at their work place. Globalization has thus greatly affected our social fabric. The shared experience is giving new meaning to our life and is leading to changes in our culture, religious practices and spirituality. Gender-based dualistic enclaves are particularly important to mention. Globalization has widened the gap between the two enclaves. It may be noted that women workers are mostly employed in the unorganized sector. They may frequently be found in vast numbers in the mining activities and the export industries which earn the foreign exchange to service the country's external debt, stitching garments, assembling electronic circuits, cleaning shrimp, plucking tea, working at subsistence or below-subsistence wages. Globalization, mostly discriminating against the unorganized sector, has pushed them farther to the margin (Hensman (2001), Saptari (2001), Revolutionary Publications)

CONCLUSION

Globalization is not only useless but dangerous too for Indian Economy. It gave temporary relief to Indian Government to tide over its serious foreign exchange situation during 1990-91 by enabling it to get loan from World Bank. But, as a byproduct, it has caused some permanent damage to Indian Economic system and deep rooted Indian social structure.

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