

Globalization: challenges and opportunities (Indian Prospective)

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Abstract

Globalization and its benefits required a conducive environment to ensure higher returns and larger markets for foreign investors. To get a share of global capital, technology and output, developing countries had to upgrade their social and economic institutions through administrative, legislative and legal reforms. Globalization merely provides opportunities to flourish. Globalization is not a tool to produce equality of outcome but it produces equality of opportunity for those with right mindset. Therefore developing countries require focusing on economic restructuring, developing market-supporting institutions and creating efficient regulatory mechanisms. The study is an attempt to review challenges of globalization in developing countries with a special reference to India.

Keywords: Globalization, global capital.

1.Introduction

Globalization is a multifaceted phenomenon. The paper identify some of the Challenges it poses, as well as some of the opportunities it offers. Attention is focused on three major aspects of globalization namely economic, cultural, and political.

During 1990 to 2003, the volume of world trade has increased and the higher and middle-income countries managed to increase their share in world trade mainly due to the opening up of economies because of globalization. The middle-income countries had invited more Foreign Direct Investment during the period and the per capita GDP of the low-income countries was marginally increased. This resulted into the economic inequality, which widened between different income groups. In other words globalization has been confined to developed countries and developing countries were able to participate in the process.

However, globalization should not be accused for loosing share of the low-income countries. These countries suffered from internal problems like rapid rise in population, infrastructure bottlenecks, and weak financial markets and so on.

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The low-income countries cannot survive at their own; they require international assistance and a support mechanism so as to facilitate their participation in the process of globalization. The challenge of the hour is to make globalization work towards global prosperity through disaggregate development. The critically necessity in this context are the collective and cooperative actions which should be realized by all countries of the world and particularly the developed ones.

2.Review of literature

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.

Globalization has many meanings depending on the context. In context to India, this implies opening up the economy to foreign direct investment by providing facilities to foreign companies to invest in different fields of economic activity in India, removing constraints and obstacles to the entry of MNCs in India, allowing Indian companies to enter into foreign collaborations and also encouraging them to set up joint ventures abroad; carrying out massive import liberalization programs by switching over from quantitative restrictions to tariffs and import duties, therefore globalization has been identified with the policy reforms of 1991 in India.

I. Impact of Globalization of Indian Economy

At the present, we can say about the tale of two Indias: We have the best of times; we have the worst of times. There is sparkling prosperity, there is stinking poverty. We have dazzling five star hotels side by side with darkened ill-starred hovels. We have everything by globalization, we have nothing by globalization.

Though some economic reforms were introduced by the Rajiv Gandhi government (1985-89), it was the Narasimha Rao Government that gave a definite shape and start to the new economic reforms of globalization in India. Presenting the 1991-92

Budgets, Finance Minister Manmohan Singh said: 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 Government of India affirmed to implement the economic reforms in consultation with the international bank and in accordance of its policies. Successive coalition governments from 1996 to 2004, led by the Janata Dal and BJP, adopted faithfully the economic policy of liberalization. With Manmohan Singh returned to power as the Prime Minister in 2004, the economic policy initiated by him has become the lodestar of the fiscal outlook of the government.

II. The Bright Side of Globalization

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% of the global outsourcing market with an estimated income of \$ 50 bn.

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 bn after the US (\$ 17,000 bn), Japan (\$ 4800 bn) and China (\$ 1000bn). 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 bn in 2006 to \$ 170 bn 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.

III. 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% of the population and contributed 59% of the

gross domestic product. However, by 2001 the population depending upon agriculture came to 58% whereas the share of agriculture in the GDP went down drastically to 24 per cent and further to 22% 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% 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 low 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 % in 1987 to 45 % in 1999, further to 55% 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%.

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 impact of globalization, in particular on the development of India, the ILO Report (2004) stated: 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.

Social Services: 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 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 FDI inflows have in no way 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.

3. Conclusion

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, labor and employment so that under time-bound programmes the targets are completed without delay. A strong foundation of human development of all people 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-ITES, 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 panchayati raj 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.

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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