



IMPACT OF GLOBALIZATION ON INDIA

*By Keshav Roy
From Manav Rachna University Faridabad,
Haryana.*

ABSTRACT

Globalization is the new essence that has come to dictate the world since the nineties of the last century. The limitations of the nation with increased self-confidence on the market economy and transformed faith in the private capital and resources, a process of structural adjustment encouraged by the studies and influences of the World Bank and other International organizations have started in many of the developing countries. Globalization has fetched new openings to developing countries. The higher computation and access to developed country markets and technology allocation offer potential improved productivity and higher living standard. The Indian economy was well-organized by the barriers to trade and investment liberalization of trade up to the nineties. The development of globalization of investment and financial flows originated in the nineties has increasingly depressed the barriers to competition and accelerated the pace of globalization. Therefore this paper studies the economic performance of the Indian economy with the impact of globalization with several factors of the Indian economy being measured for the study.

Keywords : Globalization, Economic growth, Impact, export and imports.

Research Methodology

Doctrinal type of method is used to do this research. Doctrinal research is a theoretical study where mostly secondary sources of data are used. In particular Descriptive methods are used for this research paper. A comparative study is included for better understanding of the problem.

Research Questions

Q.1 What are the factors aiding globalization?

Q.2 Impact of globalization on Indian economy?

Q.3 Other impacts other than the economy of India?

Q.4 Disadvantages of globalization in India ?

Hypothesis

NULL HYPOTHESIS: There is no significant impact on growth of India's economy after globalization.

ALTERNATIVE HYPOTHESIS: There is significant impact on growth of India's economy after globalization.

Objective of the research

1. To study the impact of globalization on the Indian economy.

2. To analyze the Economic performance and growth of India due to globalization.



3. To identify the advantages and disadvantages of globalization.

Introduction

Globalization has been defined as the process of rapid integration of countries and happenings through greater foreign trade and foreign investment. It is the process of international integration arising from the interchange of world views, products, ideas and other aspects of culture. The various beneficial effects of globalization in Indian Industry are that it brought in huge amounts of foreign investments into the industry especially in the BPO, pharmaceutical, petroleum, and manufacturing industries. As huge amounts of foreign direct investments (FDI) were coming to the Indian Industry, they boosted the Indian economy quite significantly. 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 various negative Effects of Globalization on Indian Industry are that it increased competition in the Indian market between the foreign companies and domestic companies. With the foreign goods being better than the Indian goods, the consumer

preferred to buy the foreign goods. This reduced the amount of profit of the Indian Industry companies. This happened mainly in the pharmaceutical, manufacturing, chemical, and steel industries. The negative Effects of Globalization on Indian Industry are that with the coming of technology the number of labor required decreased and this resulted in many people being removed from their jobs. This happened mainly in the pharmaceutical, chemical, manufacturing, and cement industries. The effects of globalization on Indian Industry have proved to be positive as well as negative. The government of India must try to make such economic policies with regard to Indian Industry's Globalization that are beneficial and not harmful.

What are the factors aiding globalization?

1) **Technology:** has reduced the speed of communication manifolds. The phenomenon of social media in the recent world has made distance insignificant. The integration of technology in India has transformed jobs which required specialized skills and lacked decision-making skills to extensively-defined jobs with higher accountability that require new skills, such as numerical, analytical, communication and interactive skills. As a result of this, more job opportunities are created for people.

2) **LPG Reforms:** The 1991 reforms in India have led to greater economic liberalization which has in turn



increased India's interaction with the rest of the world.

3) **Faster Transportation:** Improved transport, making global travel easier. For example, there has been a rapid growth in air-travel, enabling greater movement of people and goods across the globe.

4) **Rise of WTO:** The formation of WTO in 1994 led to reduction in tariffs and non-tariff barriers across the world. It also led to the increase in the free trade agreements among various countries.

5) **Improved mobility of capital:** In the past few decades there has been a general reduction in capital barriers, making it easier for capital to flow between different economies. This has increased the ability for firms to receive finance. It has also increased the global interconnectedness of global financial markets.

6) **Rise of MNCs:** Multinational corporations operating in different geographies have led to a diffusion of best practices. MNCs source resources from around the globe and sell their products in global markets leading to greater local interaction. These factors have helped in economic liberalization and globalization and have facilitated the world in becoming a "global village". Increasing interaction between people of different countries has led to internationalization of food habits, dress habits, lifestyle and views.

Globalization and India:

Developed countries have been trying to pursue developing countries to liberalize the trade and allow more flexibility in business policies to provide equal opportunities to multinational firms in their domestic market. **The International Monetary Fund (IMF)** and **World Bank** helped them in this endeavor. Liberalization began to hold its foot on barren lands of developing countries like India by means of reduction in excise duties on electronic goods in a fixed time frame.

The Indian government did the same and liberalized trade and investment due to the pressure from the World Trade Organization. Import duties were cut down phase-wise to allow MNCs operate in India on an equal basis. As a result globalization has brought to India new technologies, new products and also economic opportunities.

Despite bureaucracy, lack of infrastructure, and an ambiguous policy framework that adversely impacts MNCs operating in India, MNCs are looking at India in a big way, and are making huge investments to set up R&D centers in the country. India has made a lead over other growing economies for IT, business processing, and R&D investments. There have been both positive and negative impacts of globalization on social and cultural values in India.



IMPACTS OF GLOBALIZATION IN INDIA

Economic Impact

Greater Number of Jobs: The advent of foreign companies and growth in the economy has led to job creation. However, these jobs are concentrated more in the services sector and this has led to rapid growth of the service sector creating problems for individuals with low levels of education. The last decade came to be known for its jobless growth as job creation was not proportionate to the level of economic growth.

More choice to consumers: Globalization has led to a boom in the consumer products market. We have a range of choice in selecting goods unlike the times where there were just a couple of manufacturers.

Higher Disposable Incomes: People in cities working in high paying jobs have greater income to spend on lifestyle goods. There has been an increase in the demand for products like meat, egg, pulses, organic food as a result. It has also led to protein inflation.

Protein food inflation contributes a large part to the food inflation in India. It is evident from the rising prices of pulses and animal proteins in the form of eggs, milk and meat.

With an improvement in standard of living and rising income level, the food habits of people change. People tend toward taking more protein intensive foods. This shift in dietary pattern, along with rising population results in an overwhelming demand for protein rich food, which the supply side could not meet. Thus resulting in a demand supply mismatch thereby, causing inflation. In India,

the Green Revolution and other technological advancements have primarily focused on enhancing cereal productivity and pulses and oilseeds have traditionally been neglected.

- **Shrinking Agricultural Sector:** Agriculture now contributes only about 15% to GDP. The international norms imposed by WTO and other multilateral organizations have reduced government support to agriculture. Greater integration of global commodities markets leads to constant fluctuation in prices.
- This has increased the vulnerability of Indian farmers. Farmers are also increasingly dependent on seeds and fertilizers sold by the MNCs.
- Globalization does not have any positive impact on agriculture. On the contrary, it has few detrimental effects as the government is always willing to import food grains, sugar etc. Whenever there is a price increase of these commodities.
- Government never thinks to pay more to farmers so that they produce more food grains but resorts to imports. On the other hand, subsidies are declining so the cost of production is increasing. Even farms producing fertilizers have to suffer due to imports. There are also threats like introduction of GM crops, herbicide resistant crops etc.
- **Increasing Health-Care costs:** Greater interconnections of the world has also led to the increasing susceptibility to diseases. Whether it is the bird-flu virus or Ebola, the diseases have taken a global turn, spreading far and wide. This results in greater investment in the healthcare system to fight such diseases.
- **Child Labour:** Despite prohibition of child labor by the Indian constitution, over 60 to a 115 million children in India work. While most rural child workers are agricultural



laborers, urban children work in manufacturing, processing, servicing and repairs. Globalization most directly exploits an estimated 300,000 Indian children who work in India's hand-knotted carpet industry, which exports over \$300 million worth of goods a year.

Socio-Cultural Impact on Indian Society

Nuclear families are emerging. Divorce rates are rising day by day. Men and women are gaining equal rights to education, to earn, and to speak. 'Hi', 'Hello' are used to greet people in spite of Namaskar and Namaste. American festivals like Valentines' day, Friendship day etc. are spreading across India.

- **Access to education:** On one hand globalization has aided in the explosion of information on the web that has helped in greater awareness among people. It has also led to greater need for specialization and promotion of higher education in the country.
- On the flip side the advent of private education, coaching classes and paid study material has created a gap between the haves and have-nots. It has become increasingly difficult for an individual to obtain higher education.
- **Growth of cities:** It has been estimated that by 2050 more than 50% of India's population will live in cities. The boom of the services sector and city centric job creation has led to increasing rural to urban migration.
- **Indian cuisine:** is one of the most popular cuisines across the globe. Historically, Indian spices and herbs were one of the most sought after trade commodities. Pizzas, burgers, Chinese foods and other Western foods have become quite popular.
- **Clothing:** Traditional Indian clothes for women are the saris, suits, etc. and for men, traditional clothes are the dhoti, kurta. Hindu married women also adorned the red bindi and sindoor, but now, it is no more a compulsion. Rather, Indo-western clothing, the fusion of Western and Sub continental fashion is in trend. Wearing jeans, t-shirts, mini skirts have become common among Indian girls.
- **Indian Performing Arts:** The music of India includes multiple varieties of religious, folk, popular, pop, and classical music. India's classical music includes two distinct styles: Carnatic and Hindustani music. It remains instrumental to religious inspiration, cultural expression and pure entertainment. Indian dance too has diverse folk and classical forms.
- Bharatanatyam, Kathak, Kathakali, Mohiniattam, Kuchipudi, Odissi are popular dance forms in India. Kalaripayattu or Kalari for short is considered one of the world's oldest martial arts. There have been many great practitioners of Indian Martial Arts including Bodhidharma who supposedly brought Indian martial arts to China.
- Indian Classical music has gained worldwide recognition but recently, western music is becoming very popular in our country. Fusing Indian music along with western music is encouraged among musicians. More Indian dance shows are held globally. The number of foreigners who are eager to learn Bharatanatyam is rising. Western dance forms such as Jazz, Hip hop, Salsa, Ballet have become common among Indian youngsters.
- **Nuclear Families:** The increasing migration coupled with financial independence has led to the breaking of joint families into nuclear ones. The western influence of individualism



has led to an aspirational generation of youth. Concepts of national identity, family, job and tradition are changing rapidly and significantly.

- **Old Age Vulnerability:** The rise of nuclear families has reduced the social security that the joint family provided. This has led to greater economic, health and emotional vulnerability of old age individuals.
- **Pervasive Media:** There is greater access to news, music, movies, videos from around the world. Foreign media houses have increased their presence in India. India is part of the global launch of Hollywood movies which is very well received here. It has a psychological, social and cultural influence on our society.
- **McDonaldization:** A term denoting the increasing rationalization of the routine tasks of everyday life. It becomes manifested when a culture adopts the characteristics of a fast-food restaurant. McDonaldization is a reconceptualization of rationalization, or moving from traditional to rational modes of thought, and scientific management.
- **Walmartization:** A term referring to profound transformations in regional and global economies through the sheer size, influence, and power of the big-box department store WalMart. It can be seen with the rise of big businesses which have nearly killed the small traditional businesses in our society.

Psychological Impact on Indian Society

- **Development of Bicultural Identity:** The first is the development of a bicultural identity or perhaps a hybrid identity, which means that part of one's identity is rooted in the local culture while another part stems

from an awareness of one's relation to the global world.

- **The development of global identities** is no longer just a part of immigrants and ethnic minorities. People today, especially the young, develop an identity that gives them a sense of belonging to a worldwide culture, which includes an awareness of events, practices, styles and information that are a part of the global culture. Media such as television and especially the Internet, which allows for instant communication with any place in the world, play an important part in developing a global identity. A good example of bicultural identity is among the educated youth in India who despite being integrated into the global fast paced technological world, may continue to have deep rooted traditional Indian values with respect to their personal lives and choices such as preference for an arranged marriage, caring for parents in their old age.
- **Growth of Self-Selected Culture:** means people choose to form groups with like-minded persons who wish to have an identity that is untainted by the global culture and its values. The values of the global culture, which are based on individualism, free market economics, and democracy and include freedom of choice, individual rights, openness to change, and tolerance of differences are part of western values. For most people worldwide, what the global culture has to offer is appealing. One of the most vehement criticisms of globalization is that it threatens to create one homogeneous worldwide culture in which all children grow up wanting to be like the latest pop music star, eat Big Macs, vacation at Disney World, and wear blue jeans, and Nikes.
- **Emerging Adulthood:** The timing of transitions to adult roles such as work, marriage and parenthood are occurring at



later stages in most parts of the world as the need for preparing for jobs in an economy that is highly technological and information based is slowly extending from the late teens to the mid-twenties. Additionally, as the traditional hierarchies of authority weaken and break down under the pressure of globalization, the youth are forced to develop control over their own lives including marriage and parenthood. The spread of emerging adulthood is related to issues of identity.

- **Consumerism:** Consumerism has permeated and changed the fabric of contemporary Indian society. Western fashions are coming to India: the traditional Indian dress is increasingly being displaced by western dresses especially in urban areas. Media-movies and serials- set a stage for patterns of behavior, dress codes and jargon. There is a changing need to consume more and more of everything. Globalization is an age-old phenomenon which has been taking place for centuries now. We can experience it so profoundly these days because of its increased pace. The penetration of technology and new economic structures are leading to an increased interaction between people. As with other things there have been both positive and negative impacts on India due to it.

Impact of Globalization on Environment and natural resources

Globalization has had far-reaching effects on our lifestyle. It has led to faster access to technology, improved communication and innovation. Apart from playing an important role in bringing people of different cultures together, it has ushered a new era in economic prosperity and has opened up vast channels of development. However, globalization has also created some areas of

concern, and prominent among these is the impact that it has had on the environment. Globalization has featured extensively in the debates on environmentalism, and green activists have highlighted its far-reaching effects. Activists have pointed out that globalization has led to an increase in the consumption of products, which has impacted the ecological cycle. Increased consumption leads to an increase in the production of goods, which in turn puts stress on the environment. Globalization has also led to an increase in the transportation of raw materials and food from one place to another. Earlier, people used to consume locally-grown food, but with globalization, people consume products that have been developed in foreign countries. The amount of fuel that is consumed in transporting these products has led to an increase in the pollution levels in the environment. It has also led to several other environmental concerns such as noise pollution and landscape intrusion. Transportation has also put a strain on the non-renewable sources of energy, such as gasoline. The gasses that are emitted from the aircraft have led to the depletion of the ozone layer apart from increasing the greenhouse effect. The industrial waste that is generated as a result of production has been laden on ships and dumped in oceans. This has killed many underwater organisms and has deposited many harmful chemicals in the ocean. The damage caused to the ecosystem from the oil that spilled from one of the leaking containers of British Petroleum in 2010 is just one of the examples of the threat globalization poses to the environment. Due to globalization and industrialization, various chemicals have been thrown into the soil which has resulted into the growth of many noxious weeds and plants. This toxic waste has caused a lot of damage to plants by



interfering in their genetic makeup. It has put pressure on the available land resources. In various parts of the world, mountains are being cut to make way for a passing tunnel or a highway. Vast barren lands have been encroached upon to pave way for new buildings. While humans may rejoice on the glimmer with these innovations, these can have long-term effects on the environment. Various studies over the years have found that plastic is one of the major toxic pollutants, as it is a non-biodegradable product. However, plastic is of immense use when it comes to packaging and preserving goods that are to be exported. This has led to increased use of plastic, causing widespread environmental pollution. It has made so many changes in our lives that reversing it is not possible at all. The solution lies in developing effective mechanisms that can check the extent to which it can impact the environment. Researchers are of the view that the answer to this problem lies in the problem itself, that is, globalization itself can lend support to building a better structure which is economically feasible and environment-friendly. Globalization is about competition, and if certain privately owned companies can take the lead in being environment friendly. Globalization is a process of globalization that participates in the exchange of information, material goods and ideas throughout the world. Since 1960, there has been an acceleration of international exchanges and the dissemination of the same political, cultural and economic models. Global trade growth is based on intensive exploitation of natural resources and on polluting modes of production and transport. However, globalization also allows the growth and development of new markets: this is the case for fair trade. Since 1950, almost half of the tropical forests have been

destroyed.

Unfavorable impact of globalization on Indian economy

1. **TRIPS (trade related aspects of intellectual property)**
Protection of intellectual property rights has been the major concern of WTO as a member of WTO India has to comply with the TRIPS standards however the agreement on TRIPS goes against the Indian patent act 1970 in the following ways pharmaceutical sector and agriculture.
2. **Trade related investment measures (TRIMs)**
The agreement on TRIMs also famous developing Nations as there are no rules in the agreement to formulate International rules for controlling business practices of foreign investors also complying with the TRIMs agreement will contradict the objective of self reliant growth based on locally available technology and resources.
3. **GATS (General agreement on trade in services)**
The agreement on GATS will also favor the developing Nations more. Thus, the rapidly growing service sector in India will now have to compete with giant foreign firms. Moreover, since foreign firms are allowed to remove their profits, dividend and royalties to their parent company, it will cause foreign exchange burden for India.
4. **Trade and Non tariff barriers**
Reduction of trade and non tariff barriers has adversely affected the export of various developing Nations. Various Indian products have been hit by non tariff barriers. These include textile, Marine products, floriculture,



pharmaceutical basmati rice, carpet, leather goods etc.

Disadvantages of Globalization in India

The informal sector is purposely not listed in the labor legislation. For example, informal workers aren't the subject considering the 1948 Factories Act. This scheme covers vital factors such as common working conditions, safety, and health, the ban on child labor, working hours etc. Also, globalization has caused poor health, disgraceful working conditions, as well as bondage, happening in different parts of the country.

Destruction arises due to globalization

Deforestation: Today between 75,000 and 200,000 square meters of forests are destroyed. We must not forget that wood is a raw material for industry. Deforestation thus appears as a solution to gain space and produce more and to allow the development of certain countries.

The depletion of water: The 20th century was marked by an explosion of water consumption due to strong population growth, an increase in the standard of living and a high level of agricultural production. Freshwater comes in two forms: Underground aquifers (basin, groundwater) as well as lakes, rivers and rivers. Overexploitation, which must respond to the ever-increasing needs of industry, agriculture and private individuals, is the very important and poorly controlled drain in groundwater that is not renewed on the scale of human time.

The water pollution: Domestic and industrial uses lead to bacteriological

pollution of water. Industries emit water loaded with metals and chemicals. Agriculture charges water to nitrate due to the release of fertilizer. Thus, water pollution is due to the search for productivity in agriculture and industry.

Depletion of fishery resources: In recent years there has been a resurgence of endangered marine species. Overfishing, tools, and pollution of the seas and oceans are largely responsible for this depletion. The overexploitation of fishery resources has led to the proportion of species in danger rising from about 10% in the 1970s to 24% today ³/₄ of the world's fishery resources are currently caught at their maximum rate above sustainable levels. With its heavy environmental consequences, over exploitation is also felt for the economy.

CONCLUSION

We cannot say that the impact of globalization has been totally positive or totally negative. It has been both. Each impact mentioned above can be seen as both positive as well as negative. However, it becomes a point of concern when an overwhelming impact of globalization can be observed on Indian culture.

Every educated Indian seems to believe that nothing in India, past or present, is to be approved unless recognized and recommended by an appropriate authority in the West. There is an all-pervading presence of a positive, if not worshipful, attitude towards everything in western society and culture, past as well as present in the name of progress, reason and science. Nothing from the



West is to be rejected unless it has first been weighed and found wanting by a Western evaluation. This should be checked, to preserve the rich culture and diversity of India.

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, the condition of agriculture has not improved. The share of agriculture in the GDP is only 17%. The number of landless families has increased and farmers are still committing suicide. But seeing the positive effects of globalization, it can be said that very soon India will overcome these hurdles too and march strongly on its path of development. The lesson of recent experience is that a country must carefully choose a combination of policies that best enables it to take the opportunity - while avoiding the pitfalls. For over a century the United States has been the largest economy in the world but major developments have taken place in the world Economy since then, leading to the shift of focus from the US and the rich countries of Europe to the two Asian giants- India and China. Economics experts and various studies conducted across the globe envisage India and China to rule the world in the 21st century. India, which is now the fourth largest economy in terms of purchasing power parity, may overtake Japan and become the third major economic power within 10 years. To conclude we can say that the modernization that we see around us in our daily life is a contribution of Globalization. Globalization has both positive and as well as negative impacts on various sectors of the Indian Economy. So Globalization has taken us a long way from

1991 which has resulted in the advancement of our country.

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