

# Globalization and its Impact on Socio-Economy in India

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**Abstract:** Globalization 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 3 weeks outflow. To rectify its ailing financial health, Government simultaneously decided to amend its economic policies and go for privatization & liberalization of its economy. These decisions had immediate positive effect. However, globalization 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.

**Key words:** Privatization, Liberalization, current account deficits, disinvestment, western culture.

## 1. INTRODUCTION:

For thousands of years, different countries have been doing trade with one another. But the process has got a tremendous boost in last about two decades due to high handed policies of International Monetary Fund, world bank and world trade organization who have been working on the agenda of developed countries like USA. They practically forced underdeveloped countries to adopt full throttle globalization by opening up their local markets to world trade by reducing artificial barriers to such trade. Development of advanced means of communication and transport, internationalization of financial markets and unprecedented mobility of goods, capital, data and manpower have further given boost to the recent process of globalization. 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. 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. This paper would examine the economic and social effects of ongoing globalization in India.

## 2. ECONOMIC EFFECTS OF GLOBALISATION:

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% [1].

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 [1]:-

- 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, etc.

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. Four 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. 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 organizations 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 labor 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.

### **3. SOCIO-CULTURAL EFFECTS OF GLOBALISATION:**

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 .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 [3]. 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. They want to lead an independent life. They are getting more and blunter 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 religious practices. This way old age religious practices which differentiated people from different religions are getting blurred [2]. 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.

#### **4. 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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