"GLOBALISATION AND ITS IMPACT ON INDIAN ECONOMY: DEVELOPMENTS AND CHALLANGES"

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ABSTRACT

This paper will discuss the benefits and drawbacks from the point of view that globalization made in the developing countries in the three important fields such as economic and trade processes, education and health systems and culture effects. It is consists of four paragraphs. In paragraph one, the benefits and detriment of globalization in the economic and trade processes field will be discussed. Then, in paragraph two, the impact of globalization on education and health systems in both sides will be shown. In the paragraph three, the positives and negatives of globalization on culture will be illustrated. Finally, paragraph four, will deal with conclusion and offer an opinion. 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 Globalisation 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

Introduction

Globalization is a process of global economic, political and cultural integration. It has made the world become a small village; the borders have been broken down between countries. "The history of globalization goes back to the second half of the twentieth century, the development of transport and communication technology led to situation where national borders appeared to be too limiting for economic activity" (Economic Globalization in

Developing Countries, 2002). Globalization is playing an increasingly important role in the developing countries. It can be seen that, globalization has certain advantages such as economic processes, technological developments, political influences, health systems, social and natural environment factors. It has a lot of benefit on our daily life. Globalization has created a new opportunities for developing countries. Such as, technology transfer hold out promise, greater opportunities to access developed countries markets, growth and improved productivity and living standards. However, it is not true that all effects of this phenomenon are positive. Because, globalization has also brought up new challenges such as, environmental deteriorations, instability in commercial and financial markets, increase inequity across and within nations.

Definition:

Accoridng to Stephen Gill: defines globalisation as the reduction of transaction cost of transborder movements of capital and goods thus of factors of production and goods.

Guy Brainbant: says that the process of globalisation not only includes opening up of world trade, development of advanced means of communication, internationalisation of financial markets, growing importance of MNC's, population migrations and more generally increased mobility of persons, goods, capital, data and ideas but also infections, diseases and pollution

Globalised World, it mean the fast movement of people which results in greater interaction.

This paper evaluates the positive and negative impact of globalization on developing nations in the following objectives:-

1- Economic and Trade Processes

2- Education and Health Systems

3- Culture Effects

1- Economic and Trade Processes:- Field Globalization helps developing countries to deal with rest of the world increase their economic growth, solving the poverty problems in their country. In the past, developing countries were not able to tap on the world economy due to trade barriers. They cannot share the same economic growth that developed countries had. However, with globalization the World Bank and International Management encourage developing countries to go through market reforms and radical changes through large loans. Many developing nations began to take steps to open their markets by removing tariffs and free up their economies. The developed countries were able to invest in the developing nations, creating job opportunities for the poor people. For example, rapid growth in India and China has caused world poverty to decrease (blogspot.com.2015). It is clear to see that globalization has made the relationships between developed countries and developing nations stronger, it made each country depend on another country. According to Thirlwall (2015) " Developing countries depend on developed countries for resource flows and technology, but developed countries depend heavily on developing countries for raw materials, food and oil, and as markets for industrial goods". One the most important advantages of globalization are goods and people are transported easier and faster as a result free trade between countries has increased, and it decreased the possibility of war between countries. Furthermore, the growth in the communication between the individuals and companies in the world helped to raise free trade between countries and this led to growth economy. However, globalization has many economy and trade advantages in the developing countries, we must also note the many disadvantages that globalization has created for the poor Developing Country Studies. One reason globalization increases the inequality between the rich and poor, the benefits globalization is not universal; the richer are getting rich and the poor are becoming poorer. Many developing countries do benefit from globalization but then again, many of such nations do lag behind." In the past two decades, China and India have grown faster than the already rich nations. However, countries like Africa still have the highest poverty rates, in fact, the rural areas of China which do not tap on global markets also suffer greatly from such high poverty (blogspot.com.2016). On the other hand, developed countries set up their companies and industries to the developing nations to take advantages of low wages and this causing pollution in countries with poor regulation of pollution. Furthermore, setting up companies and factories in the developing nations by developed countries affect badly to the economy of the developed countries and increase unemployment.

2- Education and Health Systems:- Globalization contributed to develop the health and education systems in the developing countries. We can clearly see that education has increased in recent years, because globalization has a catalyst to the jobs that require higher skills set. This demand allowed people to gain higher education. Health and education are basic objectives to improve any nations, and there are strong relationships between economic growth and health and education systems. Through growth in economic, living standards and life expectancy for the developing nations certainly get better. With more fortunes poor nations are able to supply good health care services and sanitation to their people. In addition, the government of developing countries can provide more money for health and education to the poor, which led to decrease the rates of illiteracy. This is seen in many developing countries whose illiteracy rate fell down recently. It is truth that, living standards and life expectancy of developing countries increase through economic gains from globalization. According to the World Bank (2004) " With globalization, more than 85 percent of the world's population can expect to live for at least sixty years and this is actually twice as long as the average life expectancy 100 years ago". In addition, globalization helped doctors and scientists to contribute to discover many diseases, which spread by human, animals and birds, and it helped them to created appropriate medicines to fight these deadly diseases. For example, HIV/ADIS, swine flu and birds' flu whole world know about these diseases and they know how to avoid it. By globalization, there are many international organizations, such as, Non-governmental Organization (NGO), World Health Organization (WHO) and UNESCO, trying to eliminate illiteracy and deadly diseases in the world and save the life. In spite of these positive effects of globalization to the education and health fields in the developing countries. However, globalization could have negative impacts also in these fields; globalization facilitates the spread of new diseases in developing nations by travelers between countries. Due to increased trade and travel, many diseases like HIV/ADIS, Swine Flu, Bird Flu and many plant diseases, are facilitated across borders, from developed nations to the developing ones. This influences badly to the living standards and life expectancy these countries. According to the World Bank (2004) "The AIDS crisis has reduced life expectancy in some parts of Africa to less than 33 years and delay in addressing the problems caused by economic". Another drawback of globalization is, globalized competition has forced many minds skilled workers where highly educated and qualified professionals, such as scientists, doctors, engineers and IT specialists, migrate to developed countries to benefit from the higher wages and greater lifestyle prospects for themselves and their children. This leads to decrease skills labour in the developing countries.

3- Culture Effects:- Globalization has many benefits and detriment to the culture in the developing countries. Many developing countries cultures has been changed through globalization, and became imitate others cultures such as, America and European countries. Before globalization it would not have been possible to know about other countries and their cultures. Due to important tools of globalization like television, radio, satellite and internet, it is possible today to know what is happening in any countries such as, America, Japan and Australia. Moreover, people worldwide can know each other better through globalization. For example, it is easy to see more and more Hollywood stars shows the cultures different from America. In addition, today we can see clearly a heavily effect that caused by globalization to the young people in the different poor nations, it is very common to see teenagers wearing Nike T-Shirts and Adidas footwear, playing Hip-Hop music, using Apple ipad and iphone and eating at MacDonald, KFC and Domino's Pizza . It is look like you can only distinguish them by their language. One the other hand, many developing countries are concerned about the rise of globalization because it might lead to destroy their own culture, traditional, identity, customs and their language. Many Arab countries such as Iraq, Syria, Lebanon and Jordan, as developing countries have affected negatively in some areas, their cultures, Developing Country Studies customs and traditional have been changed. They wear and behave like developed nations, a few people are wearing their traditional cloths that the used to. Furthermore, globalization leads to disappearing of many words and expressions from local language because many people use English and French words. In addition, great changes have taken place in the family life, young people trying to leave their families and live alone when they get 18 years old, and the extended family tends to become smaller than before. Conclusion In conclusion, as we can see, the process of globalization has involved all the countries around the world. Developing countries such as India, China, Africa, Iraq, Syria, Lebanon and Jordan have been affected by globalization, and whether negatively or positively, the economies of these countries have improved under the influence of globalization. The size of direct foreign investment has increased and a lot of bad habits and traditions erased, but also globalization has brought many drawbacks to these countries as well. Many customs and cultures are disappeared such as traditions clothes and some language and expressions have changed. In addition, the violence and drugs abuse are increased and a lot of deadly diseases have spread under the influence of globalization. However, although globalization has many disadvantages, we believe that globalization has brought the developing countries many more benefits than the detriments. For example, we can see there is more and a biggest opportunity for people in both developed countries and developing countries to sell as many goods to as many people as right now, so we can say this is the golden age for business, commerce and trade .

Impact on India:

India opened up the economy in the early nineties following a major crisis that led by a foreign exchange crunch that dragged the economy close to defaulting on loans. The response was a slew of Domestic and external sector policy measures partly prompted by the immediate needs and partly by the demand of the multilateral organisations. The new policy regime radically pushed forward in favour of amore open and market oriented economy.

Major measures initiated as a part of the liberalisation and globalisation strategy in the early nineties included scrapping of the industrial licensing regime, reduction in the number of areas reserved for the public sector, amendment of the monopolies and the restrictive trade practices act, start of the privatisation programme, reduction in tariff rates and change over to market determined exchange rates.

Over the years there has been a steady liberalisation of the current account transactions, more and more sectors opened up for foreign direct investments and portfolio investments facilitating entry of foreign investors in telecom, roads, ports, airports, insurance and other major sectors.

The Indian tariff rates reduced sharply over the decade from a weighted average of 72.5% in 1991-92 to 24.6 in 1996-97.Though tariff rates went up slowly in the late nineties it touched 35.1% in 2001-02. India is committed to reduced tariff rates. Peak tariff rates are to be reduced to be reduced to the minimum with a peak rate of 20%, in another 2 years most non-tariff barriers have been dismantled by march 2002, including almost all quantitative restrictions.

IndiaGlobal:

The liberalisation of the domestic economy and the increasing integration of India with the global economy have helped step up GDP growth rates, which picked up from 5.6% in 1990-91 to a peak level of 77.8% in 1996-97. Growth rates have slowed down since the country has still bee able to achieve 5-6% growth rate in three of the last six years. Though growth rates has slumped to the lowest level 4.3% in 2002-03 mainly because of the worst droughts in two decades the growth rates are expected to go up close to 70% in 2003-04. A Global comparison shows that India is now the fastest growing just after China.

This is major improvement given that India is growth rate in the 1970's was very low at 3% and GDP growth in countries like Brazil, Indonesia, Korea, and Mexico was more than twice that of India. Though India's average annual growth rate almost doubled in the eighties to 5.9% it was still lower than the growth rate in China, Korea and Indonesia. The pick up in GDP growth has helped improve India's global position. Consequently India's position in the global economy has improved from the 8th position in 1991 to 4th place in 2001. When GDP is calculated on a purchasing power parity basis.

Globalisation and Poverty:

Globalisation in the form of increased integration though trade and investment is an important reason why much progress has been made in reducing poverty and global inequality over recent decades. But it is not the only reason for this often unrecognised progress, good national polices , sound institutions and domestic political stability also matter. Despite this progress, poverty remains one of the most serious international challenges we face up to 1.2 billion of the developing world 4.8 billion people still live in extreme poverty. But the proportion of the world population living in poverty has been steadily declining and since 1980 the absolute number of poor people has stopped rising and appears to have fallen in recent years despite strong population growth in poor countries. If the proportion living in poverty had not fallen since 1987 alone a further 215million people would be living in extreme poverty today.

India has to concentrate on five important areas or things to follow to achieve this goal. The areas like technological entrepreneurship, new business openings for small and medium enterprises, importance of quality management, new prospects in rural areas and privatisation of financial institutions. The manufacturing of technology and management of technology are two different significant areas in the country.

There will be new prospects in rural India. The growth of Indian economy very much depends upon rural participation in the global race. After implementing the new economic policy the role of villages got its own significance because of its unique outlook and branding methods. For example food processing and packaging are the one of the area where new entrepreneurs can enter into a big way. It may be organised in a collective way with the help of co-operatives to meet the global demand to understanding the current status of globalisation is necessary for setting course for future. For all nations to reap the full benefits of globalisation it is essential to create a level playing field. President Bush's recent proposal to eliminate all tariffs on all manufactured goods by 2015 will do it. In fact it may exacerbate the prevalent inequalities. According to this proposal, tariffs of 5% or less on all manufactured goods will be eliminated by 2005 and higher than 5% will be lowered to 8%. Starting 2010 the 8% tariffs will be lowered each year until they are eliminated by 2016.

GDP Growth rate:

The Indian economy is passing through a difficult phase caused by several unfavourable domestic and external developments; Domestic output and Demand conditions were adversely affected by poor performance in agriculture in the past two years. The global economy experienced an overall deceleration and recorded an output growth of 2.4% during the past year growth in real GDP in 2001-02 was 5.4% as per the Economic Survey in 2014-15. The performance in the first quarter of the financial year is5.8% and second quarter is 6.1%.

Export and Import:

India's Export and Import in the year 2014-15 was to the extent of 32,572 and 38,362 million respectively. Many Indian companies have started becoming respectable players in the International scene. Agriculture exports account for about 13 to 18% of total annual of annual export of the country. In 2014-15 Agricultural products valued at more than US $ 6million were exported from the country 23% of which was contributed by the marine products alone. Marine products in recent years have emerged as the single largest contributor to the total agricultural export from the country accounting for over one fifth of the total agricultural exports. Cereals (mostly basmati rice and non-basmati rice), oil seeds, tea and coffee are the other prominent products each of which accounts fro nearly 5 to 10% of the countries total agricultural exports.

Where does Indian stand in terms of Global Integration

India clearly lags in globalisation. Number of countries have a clear lead among them China, large part of east and far east Asia and eastern Europe. Lets look at a few indicators how much we lag.

- Over the past decade FDI flows into India have averaged around 0.5% of GDP against 5% for China 5.5% for Brazil. Whereas FDI inflows into China now exceeds US $ 50 billion annually. It is only US $ 4billion in the case of India
- Consider global trade - India's share of world merchandise exports increased from .05% to .07% over the pat 20 years. Over the same period China's share has tripled to almost 4%.
- India's share of global trade is similar to that of the Philippines an economy 6 times smaller according to IMF estimates. India under trades by 70-80% given its size, proximity to markets and labour cost advantages.
- It is interesting to note the remark made last year by Mr. Bimal Jalan, Governor of RBI. Despite all the talk, we are now where ever close being globalised in terms of any commonly used indicator of globalisation. In fact we are one of the least globalised among the major countries - however we look at it.
- As Amartya Sen and many other have pointed out that India, as a geographical, politico-cultural entity has been interacting with the outside world throughout history and still continues to do so. It has to adapt, assimilate and contribute. This goes without saying even as we move into what is called a globalised world which is distinguished from previous eras from by faster travel and communication, greater trade linkages, denting of political and economic sovereignty and greater acceptance of democracy as a way of life.

Consequences and Conclusion:-

The implications of globalisation for a national economy are many. Globalisation has intensified interdependence and competition between economies in the world market. This is reflected in Interdependence in regard to trading in goods and services and in movement of capital. As a result domestic economic developments are not determined entirely by domestic policies and market conditions. Rather, they are influenced by both domestic and international policies and economic conditions. It is thus clear that a globalising economy, while formulating and evaluating its domestic policy cannot afford to ignore the possible actions and reactions of policies and developments in the rest of the world. This constrained the policy option available to the government which implies loss of policy autonomy to some extent, in decision-making at the national level.

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