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IMPACT OF GLOBALIZATION ON SOCIO ECONOMIC CONDITIONS AND TRADE

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ABSTRACT

Globalization is an integration of culture and politics through business to generate higher profits and has made the world a global village. Globalization has proved to be a double edged weapon. It did help the government temporarily meet its emergent need of foreign exchange but it has caused some permanent damage to Indian economic system and Indian social structure. The effects of globalization have led to the increase in the gross domestic products and have shown its ill effects on the agriculture in India. The objective of this paper is to understand the economic and socio cultural effects and the impact of globalization on the various sectors of trade. Though the GDP has increased but the labor intensive processes is transformed to the capital intensive processes using technologies that have created unemployment. The interaction of people from the different cultures in a single platform has increased the trade. Globalization increased the agriculture prospects but also resulted in the problems like unemployment, investment and exports. The technology in the industries increased resulting in the domestic competition among the manufacturers. The growth in the financial services increased the financial flow of the country and the manufactured items composed of the major portion of the export of India. Globalization has lead to the ups and downs of the economy.

Keywords: globalization, economic, socio cultural, agriculture, industries, financial services, exports.

1.INTRODUCTION

Globalization is the interconnection between the domestic markets and the world market for the integration of the economic, cultural and political systems. The four fundamental capitals human, resource, financial and power led to globalization. The term globalization refers to the three channels: trade in goods & services, movement of capital and the flow of finance. Stephen Gill (1997) defines globalization as the reduction of transaction cost of transborder movements of capital and goods thus of factors of production and goods. Since World War II, barriers to international trade and financial flows have been lowered by the agreements of the GATT and WTO. Globalization has brought in several opportunities to the developing countries. The free trade increased, the labor is transported easily and as the liquidity of capital increases, developed countries can invest in developing ones making the world a global village. The Indian Government after joining the WTO has given wider access to technologies and the opportunities are for the industrial, agricultural, financial, export and import sectors. The bright side of globalization lead to increase in the gross domestic product from 5.6 percent in the year 1980-90, then 7percent in the year 2000- 01. In the year 2006 -07 it increased to 9.2 percent. The foreign reserves also increased from $39 bn in the year 2000-01 to $185 bn in the year 2007. 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). 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. The dark side of the globalization had its greatest impact on the agriculture. 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 percent 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 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. In this paper the economic and socio cultural effects of globalization and the impact of globalization on the various sectors of the trade is studied.

II.ECONOMIC EFFECTS OF GLOBALISATION ON INDIA

The oil crisis in 1970's was due to the major factors like 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 the previous decade. Current account deficit was about 3.3% of GDP while rate of inflation was as high as 10%. These situations required certain structural changes and these were to join the WTO to avail the facilities. However globalization was not the answer the government of India decided to go for privatization of its economy and to adopt liberalized economic policies, (Chander Sekhran Bal krishnana - Impact of Globalization on developing countries and India.) like the 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. There were certain positive changes due to globalization. Fiscal deficit immediately came down to 5.9% in 1991-92 itself. The real GDP increased at an annual rate of about 6%. New companies were formed by Indian entrepreneurs across different industrial segments in view of liberalized economic policies announced by the government. Job opportunities were generated which resulted in growth in the middle income group .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. There were certain negative impacts. The Indian economy is influenced by the international policies and international economic conditions. The activities in India are now governed largely by global economy. (C Rangarajan, 2002) The 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. The reductions in custom duties have snatched large part of Indian market from Indian Industry and passed it on to imports from established global players. The 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.

III.SOCIOCULTURAL EFFECTS OF GLOBALISATION IN INDIA

The 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. Today women are working in all spheres of Indian Economy. They have challenged male domination in all respects. Today 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. (Ghosa, Biswajit, 2011). The religious practices were being blindly followed by one and all. But globalization has now brought in the spirit of reasoning which has weakened established practice.

IV.IMPACT OF GLOBALISATION ON INDIAN AGRICULTURE

Agriculture plays very important role in GDP in India. More than 60 percent people in India involved directly or indirectly in agriculture. But globalization did not lead to better economic conditions as many agricultural producers and farmers were affected by the domestic price gyration.

IV.A.PRE GLOBALISATION INDIAN AGRICULTURE

A lot of policies were followed by the Indian Government for increasing the agricultural productivity. In 1950 Land Reforms were introduced trying to resurrect Indian agriculture from its then low ebb to a higher plane by putting the agrarian relations in order. The growth then was only 0.3 % which increased to 3% after following the planning. But this land reform did not reduce the inequality and was not the best condition for agrarian development. The technological changes like the use of high yielding varieties brought increase in the production. But these changes did not result in the agricultural transformation in India. The farmers came to adopt agriculture on a commercial basis. The annual average rate of growth declined to 2.2 per cent in 1961-71, and further to 1.7 per cent in 1971-81. It rendered necessary to redesign agricultural policies focusing on (i) raising the potential of the farming community, and (ii) enhancing the level of local participation in agricultural development programme. The government took efforts on strengthening the agricultural inputs in the 1980. Agricultural growth rate picked up to reach a respectable level of 3.9 per cent in 1981-91, before dipping down to 2.8 per cent in. In1991 began the era of global economic reforms. Reforms in agricultural policies were felt necessary for achieving trade liberalization in the agricultural sector (Kumar et. al., 2008).

IV.B.INDIAN AGRICULTURE WITH WTO

India became the member of WTO to attain the benefits of transparent and free trade. The Agreement on Agriculture (AOA) supporting market access, export subsidies and domestic support was expected to improve India's agricultural trade. The major feature of WTO was to reduce the subsidies. The agricultural subsidy in India was less than 10percent. India could also earn more profit by exporting agricultural produce by reducing the tariff and the weaker sections were left unaffected. The Sui-Generis agreement made the farmers are free to keep seeds and use it commercially. The situation for the Indian agriculture and the position of the balance of payments were very favorable for India. (Mathur, 2001; Goldin and Reinhert, 2006; Kadekodi, 2003). The reforms did result in improvement in terms of trade for agriculture witnessed a small acceleration in the growth rate. The growth rate in agriculture that had a rise from 3.3 per cent in 1951-61 to 3.9 per cent in 1981-91, then it reached 5.8 per cent in 1992-93. In 1993-94 it fell to 4.1 per cent, rose to 5.0 per cent in 1994-95, before falling to -0.9 per cent in 1995-96 and -2.4 per cent in 1997-98. In 2006-07 it was 2.7 per cent and for the entire period 2001-07 it was only 2.2 per cent (Kumar et. al., 2008; Datt and Sundharam, 2008). At this time India started facing problems related to slow growth with problems arising on employment, investment and exports. The annual growth rate of rice and sugarcane also decreased to larger extent. The GDP also reduced from 1.92 percent in 1990-91 to 1.37 in 1999. The GDP grew to 2.2 in 2000 which again came down to 1.7 in 2004-5. The share of agricultural exports to the total exports reduced from 19.4 in 1990-91 to 13.5 in 2000-01. The exports of the Indian agricultural products have down drastically and India is ranked with 0.9 percent share with world trade. (Pushap, 2007; Khanna and Verma, 2006). Due to the low growth of crops the regional disparities also increased between the states. The credit flow to the agriculture was also decreased from the banks.

Agriculture contributes only 20.6% to the GDP although it employs 60% of the Indian population. (Isaac, 2005). One of the sharpest drops in independent India's history took place in 2003 the agricultural production fell by 12.6%. Agricultural growth slowed from 4.69% in 1991 to 2.6% in 1997-1998 and to 1.1% in 2002-2003. (Agricultural Statistics at a Glance, 2006).

V.GLOBALISATION AND INDUSTRIAL SECTOR

Globalization of the Indian Industry took place in its various sectors such as steel, pharmaceutical, petroleum, chemical, textile, cement, retail and BPO. The Indian policies with regard to the industrial sector before globalization had imposed many restrictions on the sector with regard to the use and procurement of capital and raw material, type and nature of industry where the entry of private sector was allowed, the operation scale, and the various markets where they could supply. The Indian industrial policies favored firms of small size that were labor intensive. Globalization and Structural Changes in the Indian Industrial Sector are that it brought in huge amounts of foreign investments and this gave a major boost to this sector. Many foreign companies entered the Indian market and they brought in highly technologically advanced machines into the country as a result of which the Indian Industrial Sector became technologically advanced. With new companies being set up in the Indian Industrial Sector it provided employment opportunities for many people in the country which in its turn helped to reduce the level of poverty in the country. The number of factories in India in 1990-1991 stood at 110,179 and in 2003-2004, the figure increased to 129,074. The various disadvantages of Globalization and Structural Changes in the Indian Industrial Sector are that with many foreign companies entering the sector increased the competition for the domestic companies. With foreign goods being better then the Indian products, the consumer in the country preferred to buy the foreign goods. This reduced the profit levels of the Indian companies and they had to resort to lowering the prices of their products which in turn further lowered their levels of profit. With highly advanced technology entering the Indian Industrial Sector, the number of labor required in the sector reduced. The number of labor in the Indian Industrial Sector in 1990-1991 was 81, 62,504 and in 2003-2004, the figure has decreased to 78, 70,081.

VI.IMPACT ON THE FINANCIAL SECTORS

The financial sector constitutes the most important component of India's programme towards economic liberalization. The recent economic liberalization measures have opened the door for the foreign competitors to enter into our domestic market. Financial intermediaries are ready to take the credit risk. As a result of this, many innovations have taken place at the domestic sector also. The emergences of various financial institutions have made the financial services sector very dynamic in nature. Growth in financial services (banking, insurance, real estate and business services) after dipping to 5.6% in 2003-04 bounced back to 8.7% in 2004-05 and 10.9% in 2005-06. The momentum has been maintained with a growth of 11.1% in 2006-07. Because of Globalization, the financial services industry is in a period of transition. Market shifts, competition, and technological developments are ushering in unprecedented changes in the global financial services industry.

VII.IMPACT ON THE EXPORT AND IMPORT SECTORS

The nature of exports will indicate how competitive the Indian industry has been and whether the global economy depends on India just as Indian economy depends on the global economy. The manufactured items composed of the major portion of the export of India. The manufactured items consists of low value items like textiles, yarn, handicrafts, garments, leather, chemicals, gems and jewellery, and simple and low technology based machinery. The major areas of outsourcing from India have been information technology, software, pharmaceuticals textile, auto components, and other backend services. India's export and import in the year 2001-02 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 export of the country. In 2000-01, agricultural products valued at more than US$6 million were exported from the country of which 23% was contributed to the marine products alone. Marine products in recent years have emerged as the single largest contributor to the total agricultural export form 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 for nearly 5 to 10% of the countries' total agricultural exports.

VIII. CONCLUSION

India has gained from the LPG model and the gross domestic product of the country has increased. The economic conditions of the middle group improved as new industries were set up by following the liberalized economic policies. The custom duties were reduced which deteriorated the Indian market. There have been a lot of changes in the culture of the country. The conditions of the agriculture sector have not improved. The farmers are facing problems and the slow growth has resulted in unemployment, insecure investments. The industrial sectors also faced the problems of restrictions in the procurement of the raw materials but there is a positive increase in the technology within the industries. Financial sectors made the inflow of foreign competitors to enter the domestic market. The unemployment, social degeneration and difficulty of competition are the killer disadvantages on the lives of the people based on globalization. The government must carefully choose a combination of policies that best enables it to take the opportunity while avoiding the pitfalls and utilizing globalization to the fullest extent possible. The modernization in India is because of globalization with positive and negative impacts on the economy of India.

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