A CONCEPTUAL STUDY: EFFECTS OF GLOBALIZATION ON INDIA’S DEVELOPMENT

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ABSTRACT

This conceptual study paper provides an over view on effects of globalization on India’s development. Effect of globalization on Indian industry has been very positive, though some industrial firms with the baggage of high cost, inefficient plants and processes inherited from the past because of closed economy’s government dictated industrial policies and priorities had to face serious problems in the beginning. But soon most of the industries have become more and more efficient, customer focused and improved their international competitiveness in terms of costs, prices, product quality and variety. Industrial growth has been very high and strong during the past decade because of globalization. Exports have increased tremendously. Indian industries are also expanding abroad. Foreign companies have substantially increased their investments in Indian industries. Wages of industrial labor has increased substantially as they have become very productive. Lock out and strikes have declined to insignificantly low levels because industrial labor is happy. Those who cannot be efficient and past their prime age to retrain themselves in modern methods and processes have been retired with very attractive voluntary retirement schemes. The trade unions are finding it difficult to influence industrial workers into agitation because labor has started benefiting from the positive fallout of globalization on the prosperity and growth of the industrial sector. Talented and merited labour is commanding premium compensation in the labor market. Several new type of industries have also come up. Small scale industries of the past has fast grown into medium scale companies. Incidence of industrial sickness has gone done drastically.

Keywords: Globalization, Unemployment, Inflation.
INTRODUCTION

The term **Globalization** refers to processes of international integration arising from the interchange of world views, products, ideas, and other aspects of culture. The term **globalization** is derived from the word *globalize*, which refers to the emergence of an international network of social and economic systems. Advances in transportation and telecommunication infrastructure, including the rise of the telegraph and its posterity the Internet are major factors in globalization, generating further interdependence of economic and cultural activities. The term globalization has been increasing use since the mid-1980s and especially since the mid-1990s. In 2000, the INTERNATIONAL MONETARY FUND (IMF) identified four basic aspects of globalization: trade and Transactional, capital and investment movements, migration and movement of people and the dissemination of knowledge. Further, environmental challenges such as climate change cross-boundary water, air pollution, and over-fishing of the ocean are linked with globalization. Globalizing processes affect and are affected by business and work organization, economics, social & cultural resources, and the natural environment.

THE INFLUENCE OF GLOBALIZATION

**Industrial** - emergence of worldwide production markets and broader access to a range of goods for consumers and companies.

**Financial** - emergence of worldwide financial markets and better access to external financing for corporate, national and sub national borrowers.

**Economic** - Realization of a global common market, based on the freedom of exchange of goods and capital.

**Political** - Political globalization is the creation of a world government which regulates the relationships among nations and guarantees the rights arising from social and economic globalization.

**Social** - The achievement of free circulation by people of all nations.

**Informational** - increase in information flows between geographically remote locations.

**Cultural** - Growth of cross-cultural contacts; cultural diffusion; "world culture".

**Ecological** - the advent of global environmental challenges that cannot be solved without international cooperation, such as climate change, cross-boundary water and air pollution, over-fishing of the ocean, and the spread of invasive species.
Globalization = Imperialism
Globalization = Americanization
Globalization = Delocalization
Globalization = Multinational corporations
Globalization = Branding
Globalization = the rich get richer, the poor get poorer

HISTORY OF GLOBALIZATION

The historical origins of globalization are the subject of on-going debate. Though several scholars situate the origins of GLOBALIZATION in the modern era, others regard it as a phenomenon with a long history. Some authors have argued that stretching the beginning of globalization far back in time renders the concept wholly inoperative and useless for political analysis.

Thomas L. Friedman divides the history of globalization into three periods: Globalization 1 (1492–1800), Globalization 2 (1800–2000) and Globalization 3 (2000–present). He states that Globalization 1 involved the globalization of countries, Globalization 2 involved the globalization of companies and Globalization 3 involves the globalization of individuals. Even as early as the Prehistoric period, the roots of modern globalization could be found. Territorial expansion by our ancestors to all five continents was a critical component in establishing globalization. The development of agriculture furthered globalization by converting the vast majority of the world’s population into a settled lifestyle. However, globalization failed to accelerate due to lack of long distance interaction and technology. The contemporary process of globalization likely occurred around the middle of the 19th century as increased capital and labor mobility coupled with decreased transport costs led to a smaller world.
The next phase is known as Proto Globalization. It was characterized by the rise of maritime European empires, in the 16th and 17th centuries, first the Portuguese and Spanish Empire and later the Dutch and British Empire. In the 17th century, globalization became also a private business phenomenon when Chartered Companies like British East India Company (founded in 1600), often described as the first Multinational Corporation as well as the Dutch East India company (founded in 1602) were established. The Age of Discovery brought a broad change in globalization, being the first period in which Eurasia and Africa engaged in substantial cultural, material and biologic exchange with the New world. It began in the late 15th century, when the two Kingdoms of the Iberia peninsula – Portugal and castile – sent the first exploratory voyages around the Cape of good hope and to the America’s "discovered" in 1492 by Christoper Columbus. Shortly before the turn of the 16th century, Portuguese started establishing Trading posts (factories) from Africa to Asia and Brazil, to deal with the trade of local products like gold, spices and timber, introducing an international business center under a royal monopoly, the House of India. Global integration continued with the European colonization of Americas initiating the Columbian Exchange the enormous widespread exchange of plants, animals, foods, human populations (including slaves), communicable diseases, and culture between the Eastern and Western hemispheres. It was one of the most significant global events concerning ecological, agricultural and cultural in history. New crops that had come from the Americas via the European seafarers in the 16th century significantly contributed to the world's population growth.

MODERN GLOBALIZATION

The 19th century witnessed the advent of globalization approaching its modern form. Industrialization allowed cheap production of household items using Economies of scale while rapid population growth created sustained demand for commodities. Globalization in this period was decisively shaped by nineteenth-century Imperialism after the Opium war and the completion of British conquest of India, vast populations of these regions became ready consumers of European exports. It was in this period that areas of sub-Saharan Africa and the Pacific islands were incorporated into the world system. Meanwhile, the conquest of new parts of the globe, notably sub-Saharan Africa, by Europeans yielded valuable natural resources such as rubber, diamonds, and coal land helped fuel trade and investment between the European imperial powers, their colonies, and the United States.

NEGATIVE EFFECTS OF GLOBALIZATION

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 Globalization 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. This paper has tried to explore the negative impact of globalization on India.

The Negative effects of globalization on Indian industry have been

1. Rise in demand for labor and the rise in wage rates leading to some increase in costs.
2. Weakening power of the trade unions over labor in emerging industries and growth sectors like IT, entertainment, internet and mobile services, airlines, banking, insurance, banking services.
3. Too much competition in the market leading to continuous pressure on raising productivity, enhancing consumer service, improving product quality, in order to survive.
4. Voluntary retirement for many public sector units.
5. Too many sales person chasing customers.
6. Too many cars on the road and traffic congestion.
8. Instability in profits due to too much choice among customers.
9. Shortage power and infrastructure affecting industrial expansion.
10. Closure of inefficient units supplying costly and shoddy products and loss of jobs.
11. Two years of large increase in textile industry jobs followed by large loss of jobs due to Rupee appreciation making Indian industry uncompetitive.
12. Problems of dealing with uncertainty in the international market in terms of demand, supply and prices.
CONCLUSION

Notwithstanding the low level of globalization of Indian economy, the impact of globalization has been highly positive in all most all spheres of economic and social life and virtually no negative effect. It is only because of opening of the hitherto closed, govt.-oppressed and controlled economy to the process of globalization that has helped Indian economy to grow rapidly: in the last 10-12 years, India's economic growth has been high, exports have boomed, incidence of poverty has been reduced, employment has surged, begging by India for economic aid has stopped, long-term inflation rate has gone down, scarcity of goods have disappeared, the quality of products available have improved substantially and overall India has become progressively vibrant and internationally competitive. Indian companies are setting up companies abroad; India has better technological development for the benefit of the common man mobiles, road transport, cheap clothes, etc - only because of globalization.

Effect of globalization on Indian industry has been very positive, though some industrial firms with the baggage of high cost, inefficient plants and processes inherited from the past because of closed economy's government dictated industrial policies and priorities had to face serious problems in the beginning. But soon most of the industries have become more and more efficient, customer focused and improved their international competitiveness in terms of costs, prices, product quality and variety. Industrial growth has been very high and strong during the past decade because of globalization. Exports have increased tremendously. Indian industries are also expanding abroad. Foreign companies have substantially increased their investments in Indian industries. Wages of industrial labor has increased substantially as they have become very productive. Lock out and strikes have declined to insignificantly low levels because industrial labor is happy. Those who cannot be efficient and past their prime age to retrain themselves in modern methods and processes have been retired with very attractive voluntary retirement schemes. The trade unions are finding it difficult to influence industrial workers into agitation because labor has started benefiting from the positive fallout of globalization on the prosperity and growth of the industrial sector. Talented and merited labor is commanding premium compensation in the labor market. Several new type of industries have also come up. Small scale industries of the past has fast grown into medium scale companies. Incidence of industrial sickness has gone done drastically.

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