

GLOBALISATION- IMPACT ON INDIA

GLOBALISATION

- Globalisation in the context of economic reforms, refers to the integration of the Indian economy with the global economy.
- Globalization is the process by which ideas, knowledge, information, goods and services spread around the world.

TYPES OF GLOBALISATION

ECONOMIC GLOBALISATION

- In this type of globalisation, countries aim to integrate international financial markets and coordinate monetary exchange.
- Multinational corporations that operate in more than two countries play an essential role in a nation's economic globalization.

POLITICAL GLOBALISATION

- This is globalisation that refers to a nation's policies that aim at bringing it closer to other nations politically and economically.
- Political globalisation helps build a bond between countries with each other.

CULTURAL GLOBALISATION

- In this type of globalisation, the focus is on the technological and societal factors which bring people together.
- Cultural globalisation includes ease of communication, social media and access to faster and better transportation.

FACTORS THAT HAVE ENABLED GLOBALISATION

Technology

- Rapid improvement in technology has been one major factor that has stimulated the globalisation process.
- This has made possible much faster delivery of goods across long distances at lower costs.

Liberalisation of Foreign Trade and Foreign Investment Policy

- Trade barriers are some restrictions that have been set up by governments.
- The government can use trade barriers to increase or decrease (regulate) foreign trade and to decide what kinds of goods and how much of each, should come into the country.
- Tax on imports is an example of trade barrier.

FAIR GLOBALISATION & THE NEED FOR POLICY FRAMEWORK

Fair globalisation creates opportunities for all and also ensures that the benefits of globalisation are shared better. The government can play a major role in making this possible.

Some of the steps that the government take are:

- It can ensure that labour laws are properly implemented and the workers get their rights.
- It can support small producers to improve their performance.
- If necessary, the government can use trade and investment barriers.
- It can negotiate at the WTO for 'fairer rules.
- It can also align with other developing countries with similar interests to fight against the domination of developed countries.

GLOBALISATION AND ITS IMPACT ON INDIA

POSITIVE IMPACT OF GLOBALISATION IN INDIA

Increase in per-capita Income

As a direct effect of more employment opportunities, the per-capita income of Indian households also increased after globalisation.

Foreign Exchange Reserves

- With the help of globalisation, there is a constant flow of capital in the international financial flows. This capital flow helps countries build foreign exchange reserves.
- In the year 1991, foreign exchange reserves of India amounted to Rs 4,388 crore which in April, 2012 increased to Rs. 15,24,328 crore.

Access to Untapped Markets

A noticeable benefit of globalisation is that it provides access to many untapped markets with huge potential. businesses got an opportunity to operate on a global scale.

Education

international universities are working together with various Indian universities to broaden the opportunities available to Indian students.

Technological Development:

More Choices for Consumers

Globalisation and the Indian economy provided Indian consumers more choices. Indian, as well as foreign manufacturers, brought various products of the same kind, and consumers got a chance to select their preferred one.

High Standard of Living

With the outbreak of globalisation, the Indian economy and the standard of living of an individual has increased.



Increase in Employment

With the opportunity of special economic zones (SEZ), there is an increase in the number of new jobs available. Including the export processing zones (EPZ) center in India is very useful in employing thousands of people.

Technological Development

Globalization has promoted the technical collaboration of foreign companies. This collaboration enabled the inflow of modern advanced and superior foreign technology in India.

Reduction in Brain Drain

Many multinational corporations have set up their business units in India Due to globalisation. These MNCs provide attractive salary package and good working conditions to efficient, Skilled Indian get good employment opportunities in India.

NEGATIVE IMPACT OF GLOBALISATION IN INDIA

FINANCIAL CRISIS

As the economies are interlinked any financial crisis in one country, especially developed countries will result in slowdown in developing economies

TRADE DEFICIT

Trade deficit (as in case of India) which hurt most in case of under-developed and developing economies and widen the gap between the developed & not so developed economies.

LOSS OF DOMESTIC INDUSTRIES

As a result of Globalization foreign competition has increased in India. Because of better quality and low cost of foreign goods, many Indian industrial units have failed to face competition and have been closed.

PROBLEM OF UNEMPLOYMENT

As a result of globalization foreign companies or even some Indian companies use capital intensive technology. With the increasing use of capital-intensive technology, the employment opportunities are reduced and increase the problem of unemployment in Indian economy.

EXPLOITATION OF LABOUR

Globalization is exploiting unskilled workers by giving lower wages, less job security long working hours and worse working condition.

INCREASE IN INEQUALITIES

Globalization has benefited MNCs and big industrial units but small and cottage industries are adversely hit by it. It has increased inequalities in India.

BAD EFFECT ON CULTURE AND VALUE SYSTEM

Many global companies sell such products as distort our culture and value system. The vulgar advertisements shown by some MNCs pollute the thinking of young generation in India.

GLOBALISATION IN REVERSE GEAR - THE THREATENED RE-EMERGENCE OF PROTECTIONISM

During economic and geopolitical crises, globalisation has always taken a hit as WTO regulations allow governments to practice trade protection measures to preserve national interests within specific limits.

DEGLOBALISATION

The process of reducing dependency and integration amongst particular units throughout the world is known as *deglobalization*.

Protectionism takes three main forms

Tariffs

A tariff refers to the tax imposed by the government on imported goods from other countries.

Import quotas

An import quota is a type of trade restriction that sets a physical limit on the quantity of a good that can be imported into a country in a given period of time.

Non-tariff barriers

A non-tariff barrier is any measure, other than a customs tariff, that acts as a barrier to international trade

Q:1 What were the reasons for introducing the economic reforms in 1991?

- a) High inflation rates
- b) The negative balance of payments
- c) Increase in fiscal deficit
- d) All of the above

Q:2 Who was the Finance Minister of India when the economic reforms took place under the New Economic Policy (NEP) in 1991?

- a) P. Chidambaram
- b) Pranab Mukherjee
- c) Dr Manmohan Singh
- d) Atal Bihari Vajpayee

Q:3 _____ is the policy that helps integrate a domestic economy with the world economy.

- a) Liberalisation
- b) Globalisation
- c) Privatisation
- d) None of the above

Q:4 Public sector undertakings (PSUs) were sold to private players under_____.

- a) Liberalisation
- b) Globalisation
- c) Privatisation
- d) None of the above

Q:5 Which of the following is the outcome of the globalisation of a country's economy?

- a) Outsourcing
- b) Privatisation
- c) Liberalisation
- d) None of the above

Q:6 Foreign Exchange Regulation Act (FERA), 1973 replaced with_____.

- a) Foreign Exchange Management Act, 1999.
- b) Foreign Export Management Act, 1999.
- c) Foreign Exchange Management and Regulation Act, 1999.
- d) None of the above



**Q:7 Insurance Regulation and Development Act introduced
in_____.**

- a) 1992
- b) 1995
- c) 1996
- d) 1999

