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# Global Economy and its Consequences on Socioeconomic Environment of India

## ABSTRACT

*After the collapse of socialistic system in the Soviet Union and Eastern Europe, U.S. led Capitalistic Philosophy began to stretch its feet in the global world. Infact globalization has brought a great revolution in the advanced technology (Specially in Communication), democratic thoughts and culture, productivity (Cheaper Goods), new knowledge areas and ideas etc., but it has also given several problems to the society i.e. pollution, crime, corruption, unemployment, poverty, cut-throat competition and cultural degradation and social injustice and so on. Consequently under the global economy richer class has become more richer and man has lost "we feeling" and communal social relationship. As a whole the network of the socio-economic environment has been revolutionized*

## 1. INTRODUCTION

Globalization is termed as 'market populism' or 'neo liberalism'. It means privatization, deregulation and liberalization of national economies in ordered to promote the allocation of resources by the market. Globalization is a process and not an end. It is a process by which events, decisions and activities in one part of the globe have significant consequences for other part of the globe. It represents a closer integration of the world economy. It advocates for a 'Global Village', global neighborhood and a world without boundaries.

Globalization has far-reaching economic, social, political, cultural, environmental and technological consequences. Global forces play a much greater role in the determination of price structure, level of investment, quality of product, occupational structure and direction of economic activities. Globalization releases enormous opportunities and challenges for developing countries like India. Introduction of several economic reforms under the process of LPG in India has created a mixed reaction. One way of LPG called it as dynamic and development oriented and other

way it as destroyed of home economy. From this it would be clear that globalization aims at establishing one world market or world economy instead of national or regional markets or economies.

## 2. ADVANTAGES AND DISADVANTAGES

This idea of globalization has many advantages as well as disadvantages. Advantages are ; trade agreements fair to all, efforts for proper harnessing of resources, development of underdeveloped regions, growth of Indian exports, quantum jump in foreign exchange earnings, inducement to competitiveness and development of underdeveloped regions. The disadvantages accruing from globalization inter-alia include competitiveness through lowering of real wages, increased hours of work, reduced job security, location of hazardous industries in underdeveloped countries, loss of control by local market forces and local government. Smaller enterprises with lesser financing strength may be marginalized if they don't become competitive in the global market. But this disadvantage can be there only in the beginning stages of globalization till thinks stabilized and a "level playing field for all"

comes into being. One of the major concern for developing countries in proceeding with financial integration appears to be financial stability. Fortunately Indian has been adhering to a cautious and calibrated approach to the reforms so far and there is merit in adopting a “road map approach” building on the strengthen that has already developed.

### 3. CHALLENGES AND CONSEQUENCES

India opened up the economy in early nineties following a major crisis led by a foreign exchange crunch that dragged the economy close to defaulting to loans. The response was a slow of domestic and external sector policy measures partly prompted by the immediate needs and partly by the demand of multilateral organizations. The new policy regime radically pushed forward infavour of a more open and market oriented company. Major measures initiated as a part of the liberalization and globalization strategy in the early nineties included scrapping of the industrial licensing regime, reduction in number of areas reserved for the public sector, amendment of the monopolies and the restrictive trade practices (MRTP) act, start of the privatization programme, reduction in tariff rates and change over the market determined exchange rates over the years, these has been a steady liberalization of the current account transaction more and more sector opened up for foreign direct investments and portfolio investments facilitating entry of foreign investors in telecom, roads, ports, airports, insurance and other major sectors.

India is committed to reduce tariff rates sharply over the two decades on a weighted average of 7.5% in 1991-92 to 20% in 2007-08. Most non-tariff barriers have been dismantled so far including almost all quantitative restrictions. The liberalization of the domestic economy and increasing

integration of India with the global economy have helped setup GDP growth rates, which picked up from 5.6% in 1990-91 to a peak level of 8% currently. Though the growth rate have slowed down since the country has still been able to achieve 5-6% growth rate in last years. A global comparison shows that India is now the fastest growing economy just after China. The pickup in India’s global position consequently in the global economy has improved from the 8<sup>th</sup> position in the 1990-91 to 4<sup>th</sup> place in 2001 and onwards.

Globalization in the form of increased integration through trade and investment is an important region by much progress has been made reducing^ poverty and global inequality over recent decades. Despite this progress poverty remains one of the most serious international challenges. We face up to 1.2 billion of the developing worlds 4.8 billion people still living in extreme poverty. The Indian economy is passing through a difficult phase caused by several unfavorable domestic and external developments. Domestic output and demand conditions were adversely affected by poor performance in agriculture in past few years. The global economy experienced an overall deceleration and recorded an output growth 2.5% during the past years.

In terms of global integration India clearly legs behind in comparison to China, Brazil, Philippines and other countries. Over the past decade FDI flows into India have averaged 0.5% of GDP against 5% for China and 5.5% for Brazil. India’s share of world merchandise exports increased from .05% to .07% over the past 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, and economy six times smaller to India, according to IMF estimates. India’s trade is low by 70-80% given its size proximity to markets and labour cost advantages.

So various reknowned economists including prof. Amartya Sen have pointed out India as a geographical, politico - cultural entity has been interacting with the outside world through out history an still continues to do so, it has to adopt, assimilate and contribute. This goes without saying even as we move into what is called a globalized world which is distinguishing by faster communication, grater trade linkages, denting of political and economic sovereignty and greater acceptance of democracy as a way of life.

Globalization has intensified, interdependence and competition between economies in the world market this is reflected in interdependence in regard to trading in goods, services and movement of capital. As a result domestic economic developments are not determined entirely by domestic policy an market conditions. Rather, they are influenced by both domestic and international policies and economic conditions. It is thus clear that a globalizing economy, while formulating and evaluating its domestic policy can not afford to ignore the possible actions and reactions of policies and developments in the rest of the world.

#### 4. CONCLUSION

In India the consequences of globalization under new economic reforms has directly affected to the small farmers and petty producers as liberalization form, whereas disinvestment process is closely linked with the employment of youth due to privatization

concept. This disinvestment process leads retrenchment forcible for retirement and cuts several basic amenities of the workers. Undoubtedly it is true that enhanced trade and capital flow have produced favourable effects for India. In a nutshell it can be observed that under positive consequences of globalization we have obtained new knowledge, democratic thoughts and culture, advance technology and cheaper goods etc. but under negative consequences it has also given several problems to society i.e. cut-throat competition and cultural degradation as well as unemployment, poverty, crime and corruption, pollution, social injustice and so on.

Finally, it can be said that globalization is good for our economy as a concept. Although it may cause some problems in the beginning but ultimately all the sectors of our economy will benefit from it, once the level playing field is created for all. Till we reached that stage, we need to adopt a very cautious approach towards globalization.

The situation demands that India should the gear up the strategies collectively in upgrading the level of knowledge and research consciousness among researchers, intellectuals and planners of India. The Government should considerably strengthen its infrastructure for undertaking global trade negotiations. There is a pressing need for active involvement of Government in terms of both enunciating broad policies issues and specific actions, in relation to global trade.

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