



GLOBALIZATION: CURRENT PROSPECTS AND CHALLENGES AHEAD FOR POLICY MAKERS

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Abstract: *World economy specially in reference to developing and under developed economies globalization has emerged as a boom. India after adoption of LPG agenda, has witnessed the emergence of enormous opportunities resulting from the reforms initiated in different sectors and increased support of ICT in the initiatives undertaken. Present paper has made an attempt to discuss the various areas of the economy where the benefits of globalization are not yet achieved. The study is also aimed find the challenge ahead for the policy makers in the India. The study found that enormous opportunities have emerged during last two decades, resulting from reforms in various sectors of economy supported by increasing use of information and communication technology. After Liberalization, Privatization and Globalization policy adopted by Government of India in early nineties, Indian economy has witnessed tremendous reforms. This coupled with revolution in communication technology made it possible for India to reap the benefits of globalization to certain extent. This resulted in structural change and fast growth in Indian economy. But then every coin has two faces. Behind bright and prosperous “India shining” there stands a striving poor India too. If globalization has given us everything it has given us nothing as well.*

Keywords: *Unemployment, Poverty, Agriculture, Indian economy, Globalization Indian Economy, Structural Change, Liberalization, Privatization and Globalization.*

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INTRODUCTION

Globalization is buzzword of the time. The literal meaning of this term is to treat the entire globe as a single unit; specifically for business processes and decision making. The impact of Globalization on various economies has been a hot topic for debate at national and international level for quiet some time from now. A number of known business groups and academicians, apart from policy makers of various countries, have participated in the debate process. On one hand, there are a number of supporters of globalization, which argues that this phenomenon has greatly benefited the various economies, specifically developing ones. While, on the other hand, there stands a big group of critics, advocating for the evil effects and repercussions of Globalization. Present study is descriptive in nature and aimed to put light on the dark side of the globalization in India.

There is a whole list of facts depicting the repercussions of globalization on Indian economy, the first and foremost victim being agriculture, the backbone of Indian Economy. Agriculture in India plays a very important role because it not only provides bread and butter to Indian masses but is also a major supplier of raw materials to industries. The number of rural landless families has also increased to great extent. There have been a number of reported and unreported cases of farmers committing suicide due to rural indebtedness. The level of poverty has not being controlled yet. Employment level in certain sectors has certainly increased, but looking to the complete picture of organized and unorganized sectors, the situation is other way true. The contribution of industrial sectors to GDP during recent time has decreased to an extent, countering the experience of developed countries, which have a major contribution of services as well as industrial sector to their GDP. Present paper has made an attempt to discuss the various areas of the economy where the benefits of globalization are not yet achieved. The study is also aimed find the challenge ahead for the policy makers in the India.

AGRICULTURE; THE BREAKING BACKBONE OF INDIAN ECONOMY

Agriculture sector is very vital for India. Till today, more than 60 % population is directly and indirectly dependent on agriculture for their survival. This has been unfortunate enough in the sense that on one side there stands uncertain monsoon and weather conditions deciding the fate of crop productivity and quality, and on the other side this sector has not been properly promoted by Indian policy makers. Since 1991, the entire focus of industrial



and trade policy has been on manufacturing and service industry. It is evident from the figure that agricultural growth has shown downward trends during nineties and onwards. In the beginning of economic development of India in 1951, agriculture sector was providing employment to 72 % of the Indian population and the contribution of this sector to GDP of country was as high as 59 %. By 2001, the contribution of the sector to GDP has gone down drastically to 24 % and further to 22 % in 2006-07. As for as employment is concerned, it reduced to 65.42 % in 1983-84, further to 61.03 % in 1993-94, 56.64 % in 1999-2000 and than to 52.06 % in 2004-05 (various Economic Surveys). In the wave of globalization, Indian policy makers concentrated on development of service sector primarily, and this in resulted neglecting agricultural sector intentionally or unintentionally. The table given below shows the allocation of plan outlay for agriculture and rural development in percentage terms since 1991 reforms;

Table 1 : Plan Outlay For Agriculture And Allied Activities (Percent)

Year	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
Percent	5.8	4.8	5.5	4.7	5	4.6	5.1	4.6	4.1	4.4

Source: Economic Survey

Globalization has also negatively affected the rural families of India. Numbers of rural landless families which were 35 % of total population of India in period before 1991 reforms (1987), has increased to 45 % (1999) and than further to 55 % (2005) in post reforms period. As reported by the then agriculture minister Mr. Sharad Pawar¹, around 1,00,000 farmers committed suicide during 1993-2003 basically because of indebtedness. He further once stated² that “the farming community has been ignored in this country and especially so over the last eight to ten years. The total investment in the agriculture sector is going down. In the last few years, the average budgetary provision from the Indian Government for irrigation is less than 0.35 percent.” The budgetary provisions for rural development, special area programmes and irrigation and flood control has also shown decreasing trends over the years after 1991 reforms. The tables (Table 2, 3 and 4) given below shows the allocation of plan outlay for rural development, special area programmes and irrigation and flood control in percentage terms since 1991 reforms, which clearly indicates that these areas have been neglected by Indian politician and policy makers.

¹ Replying to the Short Duration Discussion on Import of Wheat and Agrarian Distress on May 18, 2006 in Rajya Sabha

² In his interview to The Indian Express on November 15, 2005.



Table2 : Plan Outlay For Rural Development (Percent)

Year	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
Percent	7	8	8.9	9.3	8	7.8	7.2	7	5.3	7.6

Source: Economic Survey

Table 3 : Plan Outlay For Special Area Programmes (Percent)

Year	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
Percent	1.8	1.5	1.5	0.4	0.4	0.7	0.8	0.9	0.6	0.5

Source: Economic Survey

Table 4 : Plan Outlay For Irrigation And Flood Control (Percent)

Year	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
Percent	6.5	6.1	6.2	6.7	6.7	7.6	7.1	8.8	7.3	7.8

Source: Economic Survey

POVERTY, THE GRAY FACE OF INDIA

Since its historical era, India is known as a rich country inhabited by poors and the story has not changed much even today. Although Globalization can not be directly made a factor responsible for level of poverty in India, it has certainly not done the job it was expected to do. In an indirect sense, uncontrollable level of poverty in India after 1991 reforms can be taken as a repercussion of Globalization, as it has directly or indirectly deteriorated agriculture growth, giving due importance primarily to service and then to industrial sector. Lies in the base of poverty in India is the condition of agriculture. With the comparably high rate of population growth and comparably low rate of agriculture growth, India's rural population is destined to face unemployment, under- employment and poverty, although the population below the poverty line has reduced from 54.9% in 1973-74 to 26.10% in year 1999- 2000. In absolute terms, the population below poverty line, which was around 320 million in 1993-94, has reduced to 260 million in the year 1999-2000. According to Economic Survey of Government of India, it was targeted to reduce the population below poverty line to 19.3% by the end of X Five year plan (2007). Further, by the end of Eleventh Five-year plan (2012), it has been targeted to reduce the population below poverty line to 15% of total population (to 88.5 million in absolute terms). The Table 5 given below shows the population below poverty line in absolute terms:



Table 5: Estimated of incidence of Poverty in India

Year	Poverty Ratio (Percent)			Number of Poor (Millions)		
	Rural	Urban	Combined	Rural	Urban	Combined
1977-78	53.1	45.2	51.3	264.3	64.4	328.9
1983	45.7	40.8	44.5	252.0	70.9	322.9
1987-88	39.1	38.2	38.9	231.9	75.2	307.1
1993-94	37.3	32.4	36.0	244.0	76.3	320.3
1999-2000	27.1	23.6	26.1	193.2	67.1	260.3
2007*	21.1	15.1	19.3	170.5	49.6	220.1

Source: ADB Outlook Indian

UNEMPLOYMENT; THE ROSY PICTURE

The positive indicators of Economic Development of India like GDP Growth Rate, Booming FDI Inflows, Accumulating Foreign Exchange Reserves, etc. have created a rosy picture about the employment condition in India. It is believed that there are ample opportunities of employment for employable Indian population, but this is only half-truth. Employment opportunities have certainly increased, but only for those inhabiting in big towns and cities and are product of modern professional educational system. Considering the full picture of employment in India, situation is disastrous. According to Economic Survey 2006- 07, the proportion of unemployed population to the total labor force in 1993-94 was 2.62%. After the advent of Globalization, in 1999-2000, this figure has reached to 2.78% and further increased to 3.06% in the year 2004-05. This devastating effect of globalization is also evidenced from the number of unemployed population being registered on Employment Exchanges in India. As reported by Hon'ble minister for Labor and Employment in Parliament, the number of unemployed population registered on employment exchanges in 2006-07 approximated 79 Lacs against the average of 58 Lacs during preceding 10 years.

OTHERS DARK SPOTS

Education

Apparently, Globalization has a positive impact on the level of education in India. The country has overcome the phase of traditional education and it has been opened to new vistas of modern professional education in areas like Management, Computer Science etc.



Not only this literacy rate has increased to a great extent and numbers of educational Institute at various levels have tremendously increased.

But the approach paper of XI Five year plan on quality of education needs a due consideration here. The paper states that “A recent study has found that 38 per cent of the children who have completed four years of schooling cannot read a small paragraph with short sentences meant to be read by a student of Class II. About 55 per cent of such children cannot divide a three-digit number by a one-digit number. These are indicators of serious learning problems which must be addressed.” The paper further states that that “Universalisation of education will not suffice in the knowledge economy. A person with a mere eight years of schooling will be as disadvantaged in a knowledge economy by ICT as an illiterate person in modern industry an services”.

Health

All the claims of India find no place when the figure appears. An International comparison of health indicators of India clearly proves that human health is on deteriorating side. Whether it be average life expectancy, malnutrition, maternal mortality rate, death rate, infant mortality rate or anything else. According to the approach paper of XI five year plan, the rates of infant mortality (per 1000 live births) for India is 60 whereas it is 30 in China, 19 in Vietnam and 13 in Sri Lanka. Similarly, the rate of maternal mortality (per 1 lac deliveries) for India is 407, whereas it is 92, 56 and 130 for Sri Lanka, China and Vietnam respectively.

Slums

Mumbai, the commercial capital of India, which has the honor of being ranked tenth among the world's biggest centers of commerce in terms of the financial flow volumes, has 54 per cent in slums. The way this city is disintegrating into slums indicates that it is all set to become the slum capital of the world. Delhi, the political capital of India, has an approximate population of 15 million and almost 45 percent of this population lives in slums.

CHALLENGES AHEAD

Maintaining Economy Growth

During last five fiscal years, India economy has grown at an average rate of 8.74 %. It is anticipated that economy will grow at an average rate of 9 – 10 % during next five years. This is a big challenge looking to internal and external threats. On one side there are internal



threats like Inflation, Political unrest, Population problems etc., and on the other hand there are International threats like Global competition, International relations etc.

Restructuring Legal Framework

Although a lot has been done by Indian policy makers to restructure various laws and regulations in the light of post 1991 policy of Government of India, but still a lot is to be done to meet the ever changing demands of Globalization. It is a challenge for Indian policy makers to execute laws and regulations suiting to the spirit of Global and local business needs.

Population Control

The population of India is increasing at a very fast pace. India conducted its first population census in 1961 and the latest census was conducted in 2001. Presently India's population is second highest in the world after China. Because of the high growth rate of population, per capita gross national income remains very poor in spite of all economic growth. It has been predicted that by 2030, India will overcome the population of the China (UNO Report). The challenge before India is either to check the population growth or to convert its population into effective human resource, simultaneously providing opportunities for its employment at national and global level.

Promoting Agriculture Growth

Agriculture sector of India has been over shadowed by service and industrial sector. In the wave of Globalization, Indian policy makers have forgot that agriculture is still the backbone of Indian masses. Still more than 50 % of Indian population is directly or indirectly dependent on agriculture. It has been discussed above that this sector has not been properly taken care of by Indian policy makers. Because of this, this sector is gradually losing its relevance and all the repercussions are being transferred to rural masses. The challenge before India is to bring this vital sector back to its original glory by revamping through proper policy reforms.

Boosting Industrial Performance

It has been an international experience that GDP of developed countries includes major contribution from industrial and service sector. In case of India although services are playing their expected role, Industrial sector has not performed up to the mark. The contribution of industrial sector to the GDP has been rotating around 20 – 25 % for long. There are certain



industries performing remarkably, while certain other industries have reached stagnation even before experiencing boom. Although industrial revolution started in India during seventies, the fruits are yet to reap. The challenge before Indian economy is to expand industrial sector in proper manner so as to achieve a minimum of 10 % yearly growth rate, simultaneously maintaining the growth rate of service sector and bringing back agriculture sector to its desired role.

Developing Suitable Infrastructure

India's infrastructure is not world class. The global experience regarding India's infrastructure has brought disgrace to Indian Territory. Talking any sector of infrastructure, whether it be Power, Roads, Telecommunication or any other, quality up gradation is required. The challenge before Indian policy makers is to create and maintain state of art infrastructure so as to meet international standards and attract and maintain capital inflows from all across the globe.

Sustaining FDI Inflows

After facing 1991 balance of payment crisis, India adopted such monetary, fiscal and trade policies, which resulted in to huge Foreign Exchange Reserves. EXIM policy was also modified to attract Foreign Direct Investment (FDI) in a number of activities. Comparing globally, over a period of last 10 years, India's FDI Inflows have been on an average 0.5% of GDP, where as this figure stands 5% for China and 5.5% for Brazil. Annual FDI Inflows for India approximates US \$ 4 billion, where as it is US \$ 50 Billion in case of China. So, increasing FDI Inflows is demand of the time. Still there are many areas, where Foreign Direct Investment can be permitted. The challenge before Indian policy makers is to face global competition and attract and maintain Foreign Direct Investment in existing and new areas.

Boosting up Foreign Trade

Although India's Imports and Exports have shown considerable improvement during recent past, a caution statement is required. Comparing India globally, its share of world merchandise exports over a period of last twenty years has increased from .05 % to .07 % only. While in course of same period of time China, India's biggest competitor in Asia Pacific Region, has almost tripled its share to 4 %. Although India has marked its present in world



service exports, threats from competitors like China, Philippines, Brazil and others are knocking its doors. It is a big challenge for India to overcome all these threats.

OTHER ISSUES

- i. Globalization has resulted into environmental issues like global warming, depletion of natural resources, inorganic agricultural activities and many more. All these are to be taken care of.
- ii. Globalization has brought the threat of losing Indian culture and values, as Indian youth is highly influenced by western culture and values. India has to assure protection of domestic culture and values, simultaneously adjusting to global requirements.
- iii. With professionalism creeping in through globalization, the social service sector may not be monitored properly. The structural requirement of Indian demography still demands social service efforts on the part of Indian Government. Indian polity is to execute and monitor its social service efforts properly.

CONCLUSION

The phenomenon of globalization has given a mixed experience to Indian policy makers. The impact of globalization on Indian economy is a critical fusion of rewards and costs. Although globalization was imperative for India, it has resulted in to adverse effects as well. The movement of certain economic indicators after 1991 reform like GDP growth, Foreign trade, Foreign direct investment, Service sector growth, Forex reserves etc. have brought smiles on faces of Indian policy makers for adopting such policies and reforms which directed Indian economy towards globalization.

On the other hand, the movements of certain other indicators like Unemployment, Poverty, Effective education, Health, Environmental and social issues etc. have made them regret adoption of these policies and reforms. The than Indian President Dr. A P J Abul Kalam put forth India vision 2020, projecting India as one of the strongest economies of world by 2020. Global projections are also on the same line and are expecting India to be a super power by 2050. The world is looking hopefully towards India to set the new benchmarks of progress. A number of studies have projected that 21st century is the time of India. It has also been projected that India, the forth largest world economy on the basis of Purchase Power Parity, is to overcome Japan and become third largest economy of the world by 2010.



In such situation of projections and expectations, the role of Indian policy makers is certainly very crucial. They have to adopt such policies and execute such programmes, which can optimize the positive effect and minimize the evil effects of this most talked about phenomenon called Globalization.

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