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## IMPACT OF GLOBALIZATION ON PUBLIC POLICY: AN INDIAN CONTEXT

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### Abstract

Globalization is one of the leading issues that have captured the imagination of thinkers belonging to various academic disciplines. It has been recognized as a process of easier and accelerated trans-national movement of commodities, persons, capital and knowledge, which includes ideas, techniques and culture. India was main mover of globalization. The government of India made major modifications in its economic policy in 1991 by which it allowed direct foreign investments in the country. As a result of this, globalization of the Indian Industry occurred at large scale. In India, economic expansion was observed in nineteenth century due to major crisis led by foreign exchange. Effects of globalization in Indian Industry are observed as this process brought in large amounts of foreign investments into the industry especially in the BPO, pharmaceutical, petroleum, and manufacturing industries. It is observed that the major forces of globalization in India have been in the development of outsourced IT and business process outsourcing services. Even though globalization impact also there on poverty, unemployment and also lead to privatization. The present paper will analyse the impact of globalization on public policy in India.

**Key words:** Globalization, Foreign Investment, Economic Expansion, Indian Industry, Development

### Introduction:

Globalization is one of the leading issues that have captured the imagination of thinkers belonging to various academic disciplines. It has been recognized as a process of easier and accelerated trans-national movement of commodities, persons, capital and knowledge, which includes ideas, techniques and culture. With technological advances facilitating transport and communications, the processes of production, consumption and even waste disposal have taken global dimensions. The current phase of globalization, which may be traced for its origins to the 1980s, is therefore distinct from the previous phases as it is characterized by a distinctive set of features and influences. Section I delineates these characteristics with a reference to India.

India was main mover of globalization. The government of India made major modifications in its economic policy in 1991 by which it allowed direct foreign investments in the country. As a result of this, globalization of the Indian Industry occurred at large scale. In India, economic expansion was observed in nineteenth century due to major crisis led by foreign exchange. The liberalization of the domestic economy and enhanced incorporation of India with the global economy helped to step up gross domestic product (GDP) growth rates which made good position in global scale. Effects of globalization in Indian Industry are observed as this process brought in large amounts of foreign investments into the industry especially in the BPO, pharmaceutical, petroleum, and manufacturing industries. As a result, they boosted the Indian economy quite significantly. The benefits of the effects of globalization in the Indian Industry are that many foreign companies set up industries in India, especially in the pharmaceutical, BPO, petroleum, manufacturing, and chemical sectors and this helped to offer great opportunities for employment to Indian people. Also, this helped to reduce the level of unemployment and poverty in the country. It is observed that the major forces of globalization in India has been in the development of outsourced IT and business process outsourcing services. Since last many years, there is an increase of skilled professionals in India employed by both local and foreign companies to service customers in the US and Europe. These countries take advantage of India's lower cost but highly talented and English-speaking work force, and utilizes global communications technologies such as voice-over IP (VOIP), email and the internet, international



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enterprises have been able to lower their cost base by establishing outsourced knowledge-worker operations in India. The foreign companies brought in highly advanced technology with them and this made the Indian Industry more technologically advanced. Globalization in India has been beneficial for companies that have ventured in the Indian market. It is recommended by researchers that India has to focus on five important areas to enhance its economic status. The areas include technological entrepreneurship, new business openings for small and medium enterprises, the importance of quality management, new prospects in rural areas and privatization of financial institutions.

### Globalization:

The term Globalization was first coined in 1980s. But even before this there were interactions among nations. But in the modern days Globalization has touched all spheres of life such as economy, education. Technology, cultural phenomenon, social aspects etc. The term “global village” is also frequently used to highlight the significance of globalization. This term signifies that revolution in electronic communication would unite the world.

Undoubtedly, it can be accepted that globalization is not only the present trend but also future world order.

Globalization has many meanings depending on the context and on the person who is talking about. Though the precise definition of globalization is still unavailable a few definitions are worth viewing, Guy Brainbant: says that the process of globalization not only includes opening up of world trade, development of advanced means of communication, internationalization of financial markets, growing importance of MNCs, population migrations and more generally increased mobility of persons, goods, capital, data and ideas but also infections, diseases and pollution. The term globalization refers to the integration of economies of the world through uninhibited trade and financial flows, as also through mutual exchange of technology and knowledge. Ideally, it also contains free inter-country movement of labor. In context to India, this implies opening up the economy to foreign direct investment by providing facilities to foreign companies to invest in different fields of economic activity in India, removing constraints and obstacles to the entry of MNCs in India, allowing Indian companies to enter into foreign collaborations and also encouraging them to set up joint ventures abroad; carrying out massive import liberalization programs by switching over from quantitative restrictions to tariffs and import duties, therefore globalization has been identified with the policy reforms of 1991 in India.

### Impact on Policy:

The impact of external financial crisis can be evaluated not only by examining the effects of the crises but also by taking into consideration the effects of the policy response. The international financial institutions principally the IMF and the World Bank provided credit lines to countries in crisis based on a set of conditionality that went under the broad names of ‘stabilization’ and ‘structural adjustment’. In the decade of the 1980s, scores of developing countries were provided structural adjustment loans. The effect of these policies were to reduce the economic role of governments, expand the space available to the organized private sector and diminish barriers to entry of foreign private capital and goods. Thus what began as the globalization of bank loans in the 1970s, crystallized in the 1980s into the globalization of direct and portfolio investment and the consolidation of global commodity markets.

The role of the state in economic development was to be further circumscribed, in addition to the effects of the financial crisis, by the ideological formulations that now go under the name of ‘neo-liberalism’. Whereas the earlier free-market Economics grudgingly accepted the role of the state in rectifying ‘market failures’ arising out of externalities, etc., the new ideas postulated the idea of ‘government failures’ following from the self-seeking behavior of politicians and bureaucrats. The spectacular collapse of the Soviet Union seemed to re-enforce the impression that governments may not have the necessary virtues to deal with the problems of ‘market failure’. The neo-liberals therefore went on to suggest mechanisms which mimicked, or approximated, markets and set limits to the economic role of the state. A major



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consequence of these influences was the relegation of the idea of economic equality to the background. Efficiency became the central objective of policy and it became 'glorious to the rich'.

India entered the present phase of globalization with the financial crisis and subsequent structural adjustment loans in 1991. India's policy adjustments have been slow and partial. But the fundamental premises have been the same: namely, reduced role of the state, de-emphasis on independent or autonomous development and amnesia of the earlier policy goal of relative economic equality.

### Effect of Globalization on India:

Globalization has its impact on India which is a developing country. The impact of globalization can be analysed as follows:

#### 1. Access to Technology:

Globalization has drastically, improved the access to technology. Internet facility has enabled India to gain access to knowledge and services from around the world. Use of Mobile telephone has revolution used communication with other countries.

#### 2. Growth of international trade:

Tariff barriers have been removed which has resulted in the growth of trade among nations. Global trade has been facilitated by GATT, WTO etc.

#### 3. Increase in production:

Globalization has resulted in increase in the production of a variety of goods. MNCs have established manufacturing plants all over the world.

#### 4. Employment opportunities:

Establishment of MNCs have resulted in the increase of employment opportunities.

#### 5. Free flow of foreign capital:

Globalization has encouraged free flow of capital which has improved the economy of developing countries to some extent. It has increased the capital formation.

#### Negative effect of globalization:

Globalization is not free from negative effects. They can be summed up as follows:

#### 1. Inequalities within countries:

Globalization has increased inequalities among the countries. Some of the policies of Globalization (liberalization, WTO policies etc.) are more beneficial to developed countries. The countries which have adopted the free trade agenda have become highly successful. E.g.: China is a classic example of success of globalization. But a country like India is not able to overcome the problem.

#### 2. Financial Instability:

As a consequence of globalization there is free flow of foreign capital poured into developing countries. But the economy is subject to constant fluctuations. On account of variations in the flow of foreign capital.

#### 3. Impact on workers:

Globalization has opened up employment opportunities. But there is no job security for employees. The nature of work has created new pressures on workers. Workers are not permitted to organise trade unions.

#### 4. Impact on farmers:

Indian farmers are facing a lot of threat from global markets. They are facing a serious competition from powerful agricultural industries quite often cheaply produced agro products in developed countries are being dumped into India.

#### 5. Impact on Environment:

Globalization has led to 50% rise in the volume of world trade. Mass movement of goods across the world has resulted in gas emission. Some of the projects financed by World Bank are potentially devastating to ecological balance. E.g.: Extensive import or export of meat.



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## 6. Domination by MNCs:

MNCs are the driving force behind globalization. They are in a position to dictate powers. Multinational companies are emerging as growing corporate power. They are exploiting the cheap labour and natural resources of the host countries.

## 7. Threat to national sovereignty:

Globalizations results in shift of economic power from independent countries to international organisations, like WTO United Nations etc. The sovereignty of the elected governments are naturally undermined, as the policies are formulated in favour of globalization. Thus globalization has its own positive and negative consequences. According to Peter F Drucker Globalization for better or worse has changed the way the world does business. It is unstoppable. Thus Globalization is inevitable, but India should acquire global competitiveness in all fields.

## 8. Economic Changes:

India had the distinction of being the world's largest economy in the beginning of the Christian era, as it accounted for about 32.9% share of world GDP and about 17% of the world population. The goods produced in India had long been exported to far off destinations across the world. Therefore, the concept of globalisation is hardly new to India.

India currently accounts for 1.2% of World trade as of 2006 according to the world trade (WTO). Until the liberalisation of 1991, India was largely and intentionally isolated from the world markets, to protect its fledgling economy and to achieve self-reliance. Foreign trade was subject to import tariffs, export taxes and quantitative restrictions, while foreign direct investment was restricted by upper-limit equity participation, restrictions on technology transfer, export obligations and government approvals; these approvals were needed for nearly 60% of new FDI in the industrial sector. The restrictions ensured that FDI averaged only around \$200M annually between 1985 and 1991; a large percentage of the capital flows consisted of foreign aid, commercial borrowing and deposits of non resident Indians.

### Liberalization:

It is an immediate effect of globalization. Liberalisation is commonly known as free trade. It implies removal of restrictions and barriers to free trade. India has taken many efforts for liberalisation which are as follows:

New economic policy 1991.

Objectives of the new economic policy.

- i. To achieve higher economic growth rate.
- ii. To reduce inflation
- iii. To rebuild foreign exchange reserves.

### FEMA:

Foreign exchange Regulation Act 1973 was repealed and Foreign exchange Management Act was passed. The enactment has incorporated clauses which have facilitated easy entry of MNCs.

- i. Joint ventures with foreign companies. E.g.: TVS Suzuki.
- ii. Reduction of import tariffs.
- iii. Removal of export subsidies.
- iv. Full convertibility of Rupee on current account.
- v. Encouraging foreign direct investments.

The effect of liberalisation is that the companies of developing countries are facing a tough competition from powerful corporations of developed countries.

The local communities are exploited by multinational companies on account of removal of regulations governing the activities of MNCs.

### Privatization:

In the event of globalization privatisation has become an order of the day. Privatisation can be defined as the transfer of ownership and control of public sector units to private individuals or companies. It has become inevitable as a result of structural adjustment programmes imposed by IMF.



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### Objectives of Privatisation:

To strengthen the private sectors.

Government to concentrate on areas like education and infrastructure.

In the event of globalization the government felt that increasing inefficiency on the part of public sectors would not help in achieving global standards. Hence a decision was taken to privatise the Public Sectors.

### Causes of Inefficiency of Public Sectors:

- i. Bureaucratic administration
- ii. Out dated Technology
- iii. Corruption
- iv. Lack of accountability.
- v. Domination of trade unions
- vi. Political interference.
- vii. Lack of proper marketing activities.

Privatisation has its own advantages and disadvantages Viz:

### Advantages:

- i. Efficiency
- ii. Absence of political interference
- iii. Quality service.
- iv. Systematic marketing
- v. Use of modern Technology
- vi. Accountability
- vii. Creation of competitive environment.
- viii. Innovations
- ix. Research and development
- x. Optimum utilisation of resources
- xi. Infra structure.

However, privatisation suffers from the following defects.

- i. Exploitation of labour.
- ii. Abuse of powers by executives.
- iii. Unequal distribution of wealth and income.
- iv. Lack of job security for employees.

Privatisation has become inevitable in the present scenario. But some control should be exercised by the government over private sectors.

### Technological and Cultural impact of globalization:

With the process of globalization, there is an access to television grew from 20% of the urban population (1991) to 90% of the urban population (2009). Even in the rural areas satellite television has a grown-up market. In the cities, Internet facility is everywhere and extension of internet facilities even to rural areas. There is an increase of global food chain /restaurants in the urban areas of India. Excessive Multiplex movie halls, big shopping malls and high rise residential are seen in every city. Entertainment sector in India has a global market. After economic liberalization, Bollywood expanded its area and showed a major presence in the global scale. The industry began to explore new ways to become more global and modern. In India, modernity is observed with the West. Therefore, Western philosophy began to be incorporated into Bollywood films. As these new cultural messages began to reach the Indian population, Indian moviegoers were pushed to re-evaluate their traditional Indian cultural ideology. Bollywood movies are also distributed and accepted at international level. Big international companies (Walt Disney, 20th Century Fox, and Columbia Pictures) are investing on this sector.



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Famous International brands such as Armani, Gucci, Nike, and Omega are also making investment in the Indian market with the changing of fashion statement of Indians.

### Effects of Globalization on Indian society:

Globalization is a significant factor in competitive world that integrate and mobilize cultural values of people at global level. In the age of rapid technical progression, many countries are unified and transformed due to the process of globalization. Globalization has a huge impact on cultural, social, monetary, political, and communal life of countries. Abundant theoretical studies demonstrated that globalization intercedes in a cultural life of populace that raises numerous critical issues (Robertson, 1992). In broad sense, the term 'globalization' means combination of economies and societies through cross country flows of information, ideas, technologies, goods, services, capital, finance and people. Globalization is described by theorists as the process through which societies and economies are integrated through cross border flows of ideas, communication, technology, capital, people, finance, goods, services and information.

Cross country incorporation has several aspects and can be political, cultural, social and/or economic, all which equal globalization. Nevertheless, financial integration is the most common aspects. Economic integration involves developing a nation's economy into an international economy. After World War I and II the early trends of globalization decreased throughout the world due to many barriers which restricted the movement of goods and services. In fact, cultural and social integration are even more than economic integration. Globalization increases competitiveness at company level and national level, which leads company management and governments to embrace strategies designed to increase labour effectiveness with reference to productivity, quality and innovation. Generally, globalization involves economies that are opening up to international competition and that do not distinguish against international capital. Consequently, globalization is often accompanied by a liberalization of the markets and the privatization of productive assets. But globalization also leads to unemployment, increasing casual employment and weakening labour movements. Theoretical literature denotes that Globalization has made countries to realize that they can share their cultural values and economic exchanges to promote business and gain competitive advantage. The fervour of globalization has even enforced Governments to be tuned to the merits of a Global economy. Management studies have defined the process of globalization. Fraser (2007) explained that Globalization is a word on every commentator's lips nowadays, but is very difficult to define satisfactorily, for it arises in so many different contexts like economic, sociological, political, cultural and environmental. Akteruzzaman.Md, 2006 stated that globalization is the interconnectedness of nations and regions in economic domain, in particular, trade financial flows and multinational corporations. The concept of globalization means that the world is getting smaller as well as bigger. Akteruzzaman.Md, 2006 described that globalization can contribute to develop pattern of cross border activities of firms, involving international investment, trade and strategic alliances for product development, production, sourcing and marketing. These international activities companies to enter new markets, to exploit their technological and organizational advantages and to reduce business costs and risks. Other theorists stated that globalization is a social phenomenon that defines the geographical boundary in terms of many different issues. According Brinkman, 2002, globalization as a triumphalism light, as the penetration of capitalism into every corner of the world, bringing with it the possibility for all of the world's population to participate in the fruits of the international division of labour and market economy. ALI, 2015 explained the globalization as a process of rapid economic, cultural, and institutional integration among countries. This association is driven by the liberalization of trade, investment and capital flow, technological advances, and pressures for assimilation towards international standards. Globalization has reduced barriers between countries, thus resulting in strengthening of economic competition among nations, dissemination of advanced management practices and newer forms of work organization, and sharing of internationally accepted labour standards.

### Crisis of Globalization:

The current crisis of globalization has been sought to be addressed with a mindset that remains rooted in old ideas that are becoming increasingly irrelevant in a globalized world. Problems have grown and taken on international dimensions and



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they cannot be solved effectively from perspectives of ‘national interests. To take an example, the Greek economic crisis cannot be addressed by imposing greater hardships on the Greek people alone. The beneficiaries of the single European currency also need to share the benefits with disadvantaged countries of the Euro zone. The inequalities, which perpetuate due to lack of movement of labour and the absence of cross-national fiscal transfers, do not allow an effective resolution of the crisis faced by a number of Euro zone countries. Similarly, it is not possible to sustain debt-driven high consumption in one part of the world by running export surpluses and capital outflows in other parts of the globe for a substantial period of time.

A second lesson that is emerging is that increasing income and wealth inequalities can no longer be brushed under the carpet of growth fundamentalism. The world today produces enough, on a per capita GDP basis, to meet even an extended basic needs list of every global citizen. Yet, in country after country, inequalities are on the rise. Many developing countries, including China and India, have high growth rates and worsening Gini-coefficients. We seem to be repeating the mistakes of the post 1970s western economies. This could be sustained by exporting to the Western economies. But with those economies faltering, the need to address the problem of inequality is not only an ideal but a practical necessity even to sustain the growth momentum.

Finally, the ‘invisible hand’ has not been able to resolve many of the problems arising out of unbridled pursuit of self-interest. Devising systems of incentives and disincentives does not seem to adequately address the mismatch between personal and social ends.

### Conclusion:

Indian economy had experienced major policy changes in early 1990s. The new economic reform, popularly known as, **Liberalization, Privatization and Globalization** (LPG model) aimed at making the Indian economy as fastest growing economy and globally competitive. The series of reforms undertaken with respect to industrial sector, trade as well as financial sector aimed at making the economy more efficient. No doubt the Globalization has great impact on Indian public policy. With the onset of reforms to liberalize the Indian economy in July of 1991, a new chapter has dawned for India and her billion plus population. This period of economic transition has had a tremendous impact on the overall economic development of almost all major sectors of the economy, and its effects over the last decade can hardly be overlooked. Besides, it also marks the advent of the real integration of the Indian economy into the global economy.

To summarize, the process of globalization has changed the industrial pattern social life of global people and it has immense impact on Indian trade system. The globalization of the economic, social and cultural structures happened in all ages. Previously, the pace of process was slow. Today with the start of the information technology, new ways of communication have made the world a very small place. With this process, there is a big market place. Globalization has resulted in increase in the production of a range of goods. MNCs have established manufacturing plants all over the world. It has positive effects and India will overcome many obstacles and adopt global policies to expand business at international scale. India is gaining international recognition and strengthening in economic and political areas.

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