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Globalization of Indian Economy and Economic Depression : A Perspective

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Research Paper :

Introduction :

Globalization has placed challenges on the human lifestyle and economic development all over the world. The new economic policy introduced by the Indian Government in July 1991 at the behest of World Bank and International Monitory Fund provided the main thrust to the global process. India is the seventh larger of second most populous country in the world.

People around the global are more connected to each other than ever before. Goods and services produced in one part of the world are increasingly available in all parts of the world. International travel is more frequent whereas International Communication is common place. The concept of globalization can be traced to the phenomenon of nation states.

In the distant past, there were just human communities. For much of human history, most people remained confined to their communities, villages or local areas, with development in communication and economic activity, it has progressively become easier to move from the local to the regional and then from the regional to the national level & finally across nations.

Globalization largely signifies a process of internationalization as well as liberalization. "Jagdis Bhagwati", eminent economist, defines globalization as Economic globalization constitutes integration of national economics into the International economy, through trade, foreign direct investment, Short term capital flows, International Flows of workers and humanity generally and flows of Technology. Stieglitz gives the definition as, "Globalization is the closer integration of the countries and people of the world" which has brought about by the enormous reduction of costs of transportation and communication and the breaking down of the artificial barriers to the flow of goods and services, capital, knowledge and to a lesser extent, people across borders.

During the great depression, when prices of Agriculture Product fell, indebtedness multiplied which resulted in large number of suicides. The effect of economic slowdown was resulted into lesser India's export. When Lehman Brothers a leading American Financial Institute collapsed and effect of slowdown started. But in India the Industrial sector, Mining sector, Cement and Automobile sector, performed well. Due to this reason Industrial production in India has increased.

Impact of Globalization on World Economy:

The phenomenon of globalization has been taking place in the world economic system from the second half of the 19th century. Globalization is becoming as an engine of growth triggered by free trade and increasing role of the market economy. As per patella, the principal characteristics of globalization are as follows:

1. The globalization of financial market.

2. The internationalization of corporate strategies in particular, their commitment to competition as a source of wealth creation.
3. The diffusion of technical and related research and development and knowledge worldwide.
4. The Transformation of consumption patterns into cultural products with worldwide consumer markets.
5. The internationalization of the regulatory capabilities of national societies into a global, political and economic system.
6. The diminished role of national governments in designing the rules for global governance.

The liberalization and globalization of the economy require highly trained human resources and an upgrading of management talent. Flexibility is also needed in order to survive in a competitive environment.

Globalization and Employment:

The employment situation in India during the era of globalization has not been heartening. The growth rate of employment which was 2.04 per cent per year during the 1983-1994 declined slightly at 0.98 per cent during the period 1994 -2000 and reached 1.60 percent. As per the NSSO's 61st Round Survey, the annual growth rate went up to 2.5 per cent during 1995-2005 while employment has growth faster than before with the demographic dynamics and higher about force participation, rate of unemployment, as measured by usual principal status, also went up marginally from 2.8 per cent to 3.1 per cent during 1999–2000 to 2004–2005. Furthermore, the worrisome marginal decline in employment in the organized sector between1994-2004. According to the annual survey of Industry data has raised some disturbing issues about optimal regulations and incentives. This was largely attributes to the dismal growth in agricultural sector which is the mainstay of India economy, giving employment to two thirds of its population.

Employment and Unemployment (by usual principal status)

Table No. I

Particular	**1983**	**1993-94**	**1999-2000**	**2004-05**	**1983 to 1993-94**	**1993-94 to 1993-2000**	**1999-00 t0 2004-05**
	In Million				Growth in percent Annual		
Labour Force	277.34	243.56	377.88	428.37	2.06	1.06	2.5
Work Force	269.36	334.54	367.37	415.27	2.09	1.57	2.48
Number of unemployment	7.98	9.02	10.51	13.10	-	-	-
	As a proportion of labour force in per cent						
Unemployment Rate	2.88	2.62	2.78	3.06	-	-	-

(Source: Various rounds of NSSO Survey on employment and unemployment)

The reversal of the declining trend in employment growth, from an annual 2.1 per cent in the ten years ending in 1993-94 to 1.6 per cent in the five years ending in 1999-2000 to 2.5 per cent in the five years ending in 2004-05 is an encouraging development. The share of agriculture in total employment has come down from 61.67 per cent in 1993-94 to 58.54 per cent in 1999-2000 and further to 54.19 percent in 2004-05. With the declining share of agriculture in GDP, the scope for absorbing substantial labour force in agriculture affairs limited. But construction and services particularly transport storage and communication, contributed in maintaining employment growth in the economy, however, employment growth in manufacturing fell short of its potential.

The organized sector which was considered as the engine of growth failed to generate enough employment. Employment growth in the organized sector, public and private combined, declined during the nineties. During 1994-2006, employment growth in the organized sector was merely about 60 per cent which is clear from the table. Annual employment growth in establishments covered by employment market information system of Ministry of Labour decelerated from 1.20 per cent during1983–1994 to -0.83 per cent per annum during 1994-2000.

This deceleration happened in spite of acceleration in annual employment growth in the private sector from 0.44 per cent to 0.61 per cent during the reference periods, as this acceleration was not enough to make up for the corresponding decline of employment in the public sector. However, the latter decline was mainly due to a decrease in employment in public sector establishment, where as the private sector showed acceleration in the pace of growth in employment from 0.44 per cent to 0.61 per cent per annum as a consequence, the share of the organized sector which was 7..93 per cent in 1983 declined to 7.08 per cent in 1993-2000.

Export and Import of India :-

India's export and import in the year 2001–2002 was to the extent of 32, 572 and 38,362 million respectively. Many Indian companies have started becoming respectable players in the international scene Agriculture exports account for about 13 to 18 per cent of total annual export of the country. In 2000-01, agricultural products valued at more than US $ 6 Million were exported for the country 23 per cent of which as contributed by the marine product alone. Marine products in recent years have emerged as the single largest contributor to the total agriculture export from the country accounting for the over one-fifth of the total agricultural exports. Cereals (Mostly Basmati Rice and non-Basmati Rice), oil seeds, tea and Coffee are the other prominent product each of which accounts from nearly 5 to 10 per cent of the country's total agricultural exports.

Impact on India:-

India opened up the economy in the early nineties following a major crisis that led by a foreign exchange crunch that dragged the economy close to defaulting on loans. The response was slow of domestic and external sector policy measures partly promoted by the immediate needs and partly by the demand of the multilateral organizations. The new policy regime radically pushed forward in favour of a more open and market oriented economy.

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 the number of areas reserved for the public sector, amendment of the monopolies and the restrictive trade, practices act start of the privatization programme, reduction in tariff rate and change over to market determined exchange rates.

Over the years there has been a steady liberalization of the current account transactions, more and more sectors opened up for foreign direct investment and portfolio investments facilitating entry of foreign investors in telecom, roads, airports, insurance and other major sectors, the Indian tariff rates reduced sharply over the decade from a weighted average of 17.5 per cent in 1991-92 to 24.6 in1996-97. Though tariff rates went up slowly in the late nineties it touched 35.1 percent in 2001-2002. India is committed to reduce tariff rates. Peak tariff rates are to be reduced minimum with a peak rate of 20 per cent, in another 2 year most non-tariff barriers have been dismantled by March-2002, including almost all quantities restrictions.

The present day world it is evident that China and India will have to give a high priority to generating employment. Both these emerging economies are poised for substantial increases in productivity consequently; the global economy will have to consider the implications of this development on prices, exchange rates, wages structures of employment in industrialized countries.

Economic Depression:-

The depression is disguised in the garb of prosperity and progress of globalization. Globalization support by liberalization and privatization is taken fleet of elite who go on the road of poor to flourish themselves. But there is limit; the seventy crores of Indian people do not find growing employment.

They resort some traditional way of life of production and consumption. Thirty crores of the people exhaust their income and do not like to consume the money with them looking ahead of the recessionary trend was moving at ten percent per annum which is twenty percent per annum in 2002. It makes eighty percent in 2004 and great depression in 2005.

Government should come to the rescue of the poor people by assuring employment, production, market, financial help and technical support otherwise the great depression is bound to occur in 2005 which has started with the low consumption in the economy.

1. The Great Depression and the Provincial Autonomy:-

During the great depression, when prices of agricultural products fell, indebtedness multiplied which resulted in large numbers of suicides and forced sales of land. But the central Government did nothing. It was only in 1937 when the provincial Governments came into power many Acts were passed to mitigate the evils of rural indebtedness.

2. Decrease in Export due to Economic Slowdown:-

The effects of Economic Slowdown are still felt on the world economy. The effect of this was the decrease in India's export. In June 2009 27.7 per cent decrease was recorded. Due to the slowdown imports also recorded 29.3 per cent decrease. The Oil sector recorded as tremendous 50.6 per cent decrease in June 2009. This is more that the decrease in export. In June India recorded export of US $ 12.81 Billion in June. The corresponding period of last year it was US $ 17.73 Billion. Federation of Indian export organization director 'Ajay Sahay' said that the Government cannot increase demand in the near future. But the exporters would be compensated with some economic package. In April to June there is 31.3 per cent decrease in export of it is US $ 35.43 Million dollars. In the first quarter of the last year, export recorded turnover of US $ 51.34 Billion. In June import figures are US $ 18.17 Billion in the corresponding period last year it was US $ 26.85 Billion. In the first quarter the import recorded US $80.18 Billion. In April to June the fiscal deficit recorded US $ 15.80 Billion from US$ 28.64 Billion.

3. Increase in Industrial production in the country:-

In spite of global depression and lack of Monsoon, the figures of industrial production in the month of June 2009 recorded 7.8 per cent. This rate is the high in the last sixteen months. In the month of May it was 2.7 per cent in June all sectors perform well and the economic package helped to achieve this rate. In the corresponding period of the last year the industrial production rate was 6 per cent in September 2008. 'Lehman Brothers' a leading American Financial Institute collapsed and since then the effect of slowdown started. But in Indian the industrial sector performed well and so we were able to sustain the slowdown especially the Mining sector was at the lead. The Cement and Automobile sectors also performed well. The FMCG (Fast Moving Consumer Goods) and Power sector recorded 8 percent growth. Capital goods also recorded 11.8 per cent growth in comparison with 7.8 percent. At the start of the financial year the production rate was 37 per cent. It was 5.3per cent two years before. In this year due to poor performance of the Monsoon the agriculture production would decrease. In this scenario if the industrial production had decreased then it would have created devastating on the economy.

Conclusion:-

Global economic integration a trend to continue globalization, is seen to be the world's Mega-Trend, over the next 15 years causing the global economy to grow by about 80 per cent compared with 2000 and raising average income per head worldwide by about 50 per cent over the same period. The benefits will be unevenly distributed but there will be a much richer world.

Economist world over believe, that most this growth will be in Asia especially in China and India, driving Asia to displace the west over the next 15 years as the focus of global economic dynamism. The impact of that shift will be economic and political pulling was ignition's attention away from Europe and the Middle East and towards the emerging 21st Century Super Powers.

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