



Deleterious Consequences of Globalisation on India

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Introduction

India is increasingly portrayed as poster state for globalisation. Extensive economic reforms were carried out by the Indian government in the year 1991 with the intention of reducing controls and simplifying policies to dynamize its economic growth. However, the impact of globalisation in a large country like India differs for different group of people like rich, poor, women, disabled, marginalised, rural and urban (Arora, 2012). This essay will argue how globalisation has led to uneven distribution of resources, reduced employment opportunity and adversely affected MSME (Micro, small & medium enterprises) because of fierce competition from large transnational company.

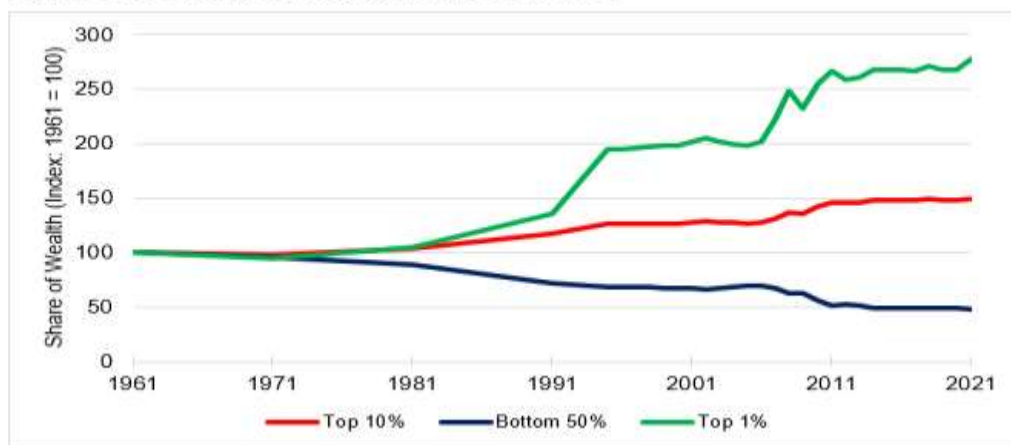
Globalisation and Uneven Distribution of Resources

As per World Development Report (2018) by World bank, 172 million Indians live in extreme poverty, thus making India home for 24.5% of the world's poor (Siddiqui, 2018). Globalisation may have led to excellent GDP growth rate but the poor and the working population in India have still suffered and are suffering even on most elemental standard of judging welfare i.e., hunger. There is sharp contrast between growing hunger population and supposed reduction in poverty. The official poverty estimates shows that there has been decline in poverty percentage from 44.5% in 1983 to 27.5% in the year 2004 and it's attributed to globalisation. But as per the data collected by NSS (National Sample survey), there has been a rate of decline in poverty and it slowed down in 1993-2005, which has been the period of opening of the Indian economy. There has also been decline in rate of growth of wages in the period of 1993-2005 (1991 being start of economic boom in India) as compared to previous decade of 1983-1993 (Bardhan, 2007).

As per a study conducted by Oxfam in January of 2023, the richest 1% own 40.5% of India's wealth. The top 5% of Indians own more than 60% of the country's wealth while the bottom 50% possess only 3% of wealth (Tarfe, 2023).

"While the country suffers from multiple crises like hunger, unemployment, inflation and health calamities, India's billionaires are doing extremely well for themselves. The poor meanwhile in India are unable to afford even basic necessities to survive. The number of hungry Indians increased to 350 million in 2022 from 190 million in 2018. The widespread hunger is resulting in 65 per cent of the deaths among children under the age of five in 2022, according to the Union Government's submission to the Supreme Court. After witnessing mass suffering and death during the COVID-19 pandemic, it was critical that the Government of India took aggressive measures to address injustice and poverty. But it has unfortunately lost the plot. India is unfortunately on a fast track to becoming a country only for the rich." said Amitabh Behar, CEO of Oxfam India".

Figure 1: Wealth Inequality in India (1961-2021)



Trends in Economic Inequality in India /The Indian Forum

The fact that 72% of the Indian population still lives in rural regions and relies mostly on agriculture and related activities for their living, rural involvement is crucial for the growth of Indian economy. Though globalisation has opened up markets, it has been targeting the rural population only as consumer. But until and unless, they are entwined in the production process as service providers, workforce, producers of intermediate goods for the multinational companies, their fate wouldn't change and poverty will keep rising instead of declining. Globalisation may have reduced absolute poverty however relative poverty is still in rise because of increasing disparity of income distribution and opportunities (Singh L. , 2013).

India witnessed a major case of unequal distribution of resources during Covid-19 pandemic. According to the Centre for Monitoring Indian Economy (CMIE), more than 122 million people lost their jobs in April 2020 and most of them were small traders and daily wage-laborers. Further, as per a telephonic survey done of 4000 workers by Centre for Sustainable Employment, 80% of urban workers lost their jobs. There was also a stark decline in the earnings of the farmers and self-employed individuals. The impact was far worse on people working in informal and unorganised sectors since they do not have access to social security benefits and there is no job security too. Around 40-50 million workers moved/walked back to their native places during the pandemic and main reason was lack of assistance from the government (Ranjan Aneja, Vaishali Ahuja, 2020).

Further, as per Consumer Pyramid Household Survey (CPHS), carried out by the Centre for Monitoring Indian Economy (CMIE), rural poverty increased by 9.3% and urban poverty by 11.7% from 2019 to 2020, which again reconfirms the fact that pandemic had different effect on different set of population, based on their income (Maitreesh Ghatak, Ramya Raghavan, Linchuan Xu, 2023).

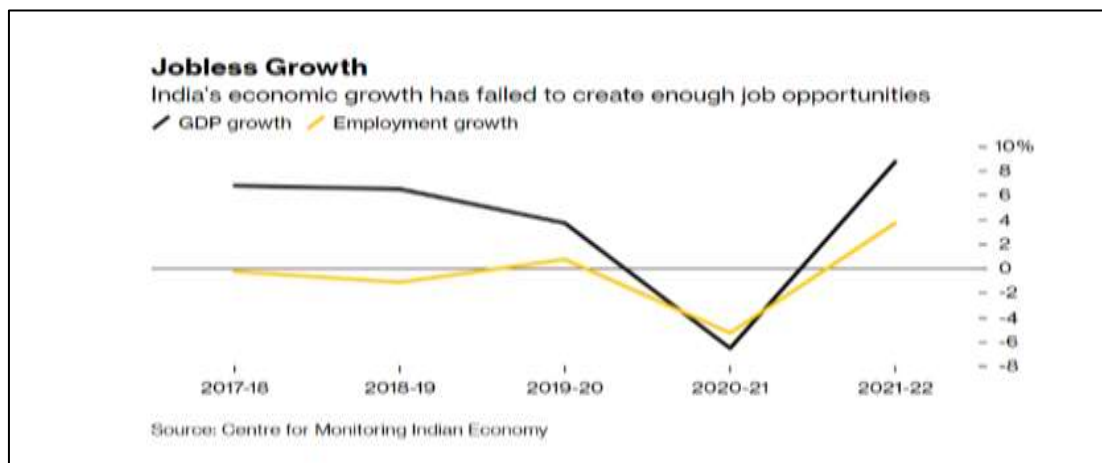
The neoliberalism theory acknowledges the negative consequences of globalisation which is increased inequality.

Globalisation and Reduced Employment Opportunities

Though globalisation was supposed to curb the problem of unemployment however, it became more serious afterwards. An increase in arithmetical figure of growth rate is neither a requirement nor a sufficient condition for reducing unemployment. In spite of accelerated economic growth, there has been deceleration in the growth of employment. According to a survey of eight significant labour-intensive businesses undertaken by the Labour Bureau of India, only 1.35 lakh employment were created in 2015, down from 9 lakhs in 2011 and 4.19 lakh in 2013.

India's economy has been and remains a dual economy consisting of organised and unorganised sector. The organised sector employs a small portion of population and enjoys all the benefits, privileges and is structured by government regulations and on the other hand, unorganised sectors which consist of the major chunk of the work force neither have any benefits nor have government interventions. Globalisation did help in job creation but mainly in IT, ITES, financial services and retail sector which are part of organised sector and thus catering to the skilled English-speaking population. The dominant form of employment in unorganised sector is self-employment and casual wage employment which has not been benefitted from globalisation. During 2001-2011 period, the growth rate of labour force, mainly in unorganised sector, has been 2.23% and it has been significantly higher than the growth rate of employment which has been 1.4 %, during the same period. Further, as per the Census of 2011, the growth rate of the economy has been 7.7% per annum wherein the employment rate has only been 1.8%. This probably explains the jobless growth of Indian economy (Singh, 2017).

The graph compares the GDP growth with Employment growth



As Vijay Joshi pointed in his book "India's long road", "India's entire workforce increased by 63 million persons between 1999-00 and 2009-10. 22 million of these 44 million became unorganized workers in the organized sector, while the number of official workers in the organized sector fell by 3 million" (Joshi, 2017). Though all the growth indicators, including GDP, portrays a strong economic improvement, unemployment still continues to rise. The other growth indicators point to fast rebound but the employment market is still struggling. As per the data collected by Labour Bureau, during 2012 - 2016, India's employment growth slowed significantly and it actually decreased during 2013 - 2016, probably for the first time since independence (Abraham, 2017). Independent surveys initiated in 2016 by a prominent private agency also reported a net decline in employment and an increase in unemployment. (K P Kannan, G Raveendran, 2019).

The neoliberalism theory and Marxist theory acknowledges that globalisation can lead to job loss and unemployment .

Effect of Globalisation on MSME (Micro, small & medium enterprises) and small industries

Globalisation has led to a 'Unequal Competition' - a competition between giant MNC and dwarf Indian enterprises (M. Chandraiah, R. Vani, 2013). The MSME are said to be backbone of Indian economy as it provides resilience to the economy to deflect global economic shocks and adversities. Nearly 20% of MSME are based out in the rural areas and accounts for 40% of India's labour force. According to Reserve Bank of India (2017) report, for the year 2015-2016, the MSME sector comprised of more than 51 million enterprises employing more than 117 million persons. As per the report of the Working Group on MSME's for 12th 'Five-year plan:2012-2017', this sector accounts for 45% of the manufacturing output and 40% of the total export. Further, as per the report by Ministry of MSME's (2017), MSME accounted for 30.74% of GDP in the year 2014-15. However, in spite of all the good prospects, MSME cannot compete with MNC because of technological backwardness, lack of digital access, lack of investment access, insufficient resources or knowledge to innovate the product quality, inability to lower the export prices, higher cost of production, informational bottlenecks, inadequate strategy for marketing and advertising. Further, high tariff walls imposed by the importing nation, has prevented MSME from competing in the global market (Mukherjee, 2018).

Globalisation has posed serious constraints on the growth of small-scale industries (SSI). It has been facing tough and brutal competition from MNC which are armed with improved technology, managerial ability, skilled workers, marketing skills, better product quality, and wide range of products. The SSI are also finding it difficult to maintain their existence because of numerous cases of mergers and acquisitions. Most of the SSI find it difficult to get funding from banks and financial institutions and therefore are dependent on internal source of financing like their personal savings and loans from local money lenders. Because of this, they have a small-scale production economics resulting in low productivity and poor quality of product. Most of the SSIs have to operate with unskilled or semi-skilled workers because unlike MNC and large firms they cannot employ skilled labours by paying higher remunerations (S.MUTHUKARUPPAN, 2019).

Average growth rate of SSIs in Pre and Post globalised period

Growth rate of SSIs in pre-Globalised era was 4.07 on the contrary on the post Globalised era it is 9.36.

Production in SSIs in pre-Globalised era was 19.45 on the one hand; on the other hand, on the post Globalised it is reduced to 13.57.

In pre globalised era, the employment growth rate in SSIs was 7.25, which is declined to 4.26 on the post globalised era (Venkatesham, 2021).

The growth rate of SSI units is much lower in post globalised period than pre globalised period and this has been because of competitive products from the similar industries of foreign nation (since the markets opened for everyone) and also because of withdrawal of the preferential treatment and protection granted to this sector during the pre-globalised period by the government of India. The preferential treatment had been responsible in generating employment opportunities and curbing unemployment (Rajan, 2013).

Table 1 Performance of Small Scale Industries in India during the Pre Reform Period

Year	Units (Million Nos.)	Growth Over Previous Year (%)	Production		Employment (Million Nos.)	Growth Over Previous Year (%)	SSI Export	
			At Constant Prices (Rs.Crore)	Growth Over Previous Year (%)			(Rs. Crore at Current Prices)	Growth Over Previous Year (%)
1980-81	0.87	--	72200	8.73	7.10	--	1600	--
1981-82	0.96	10.34	78300	8.45	7.50	5.63	2100	31.25
1982-83	1.06	10.42	84700	8.17	7.90	5.33	2000	-4.76
1983-84	1.16	9.43	93500	10.39	8.42	6.58	2200	10.00
1984-85	1.24	6.90	104600	11.87	9.00	6.89	2500	13.64
1985-86	1.35	8.87	118100	12.91	9.60	6.67	2800	12.00
1986-87	1.46	8.15	133600	13.12	10.14	5.63	3600	28.57
1987-88	1.58	8.22	150500	12.65	10.70	5.52	4400	22.22
1988-89	1.71	8.23	169900	12.89	11.30	5.61	5500	25.00
1989-90	1.82	6.43	189900	11.77	11.96	5.84	7600	38.18
1990-91	6.79	273.08	84728	-55.38	15.83	32.36	9664	27.16

Source: RBI (2009)

Performance of SSI in India during Pre-globalised period

Table 2 Performance of Small Scale Industries in India during the Post Reform Period

Year	Units (Million Nos.)	Growth Over Previous Year (%)	Production		Employment (Million Nos.)	Growth Over Previous Year (%)	SSI Export	
			At Constant Prices (Rs.Crore)	Growth Over Previous Year (%)			(Rs. Crore at Current Prices)	Growth Over Previous Year (%)
1991-92	7.06	3.98	87355	3.1	16.60	4.86	13883	43.66
1992-93	7.35	4.11	92246	5.6	17.48	5.30	17784	28.10
1993-94	7.65	4.08	98796	7.1	18.26	4.46	25307	42.30
1994-95	7.96	4.05	108774	10.1	19.14	4.82	29068	14.86
1995-96	8.28	4.02	121175	11.4	19.79	3.40	36470	25.46
1996-97	8.62	4.11	134892	11.32	20.59	4.04	39248	7.62
1997-98	8.97	4.06	146263	8.43	21.32	3.55	44442	13.23
1998-99	9.34	4.12	157525	7.70	22.06	3.47	48979	10.21
1999-00	9.72	4.07	170379	8.16	22.91	3.85	54200	10.66
2000-01	10.11	4.01	184401	8.23	24.09	5.15	69797	28.78
2001-02	10.52	4.06	282270	53.07	25.23	4.73	71244	2.07
2002-03	10.95	4.09	306771	8.68	26.37	4.52	86013	20.73
2003-04	11.4	4.11	336344	9.64	27.53	4.40	97644	13.52
2004-05	11.86	4.04	372938	10.88	28.76	4.47	124417	27.42
2005-06	12.34	4.05	418884	12.32	29.99	4.28	150242	20.76
2006-07	12.84	4.05	471663	12.60	31.25	4.20	--	--
2007-08	13.37	4.13	532979	13.00	32.23	3.14	--	--

Source: RBI (2009)

Performance of SSI in India during Post-globalised period

Further, Globalisation has led to introduction of Special Economic Zones (SEZs) which facilitated MNCs with areas with liberal economic and trade laws, round the clock facilities and concessions to enhance foreign investments and promote exports. This has totally endangered the existence and survival of SSIs (Venkatesham, 2021).

As it is said, when the whole world is in your market, then you are competing with the whole world (Rollins, 2019).

The structuralist theory and dependency theory explain the effects of globalisation on small and medium enterprises. It argues that MNC belonging to developed nations have an advantage in the global market due to better technological and economic capabilities.

Conclusion

Globalisation has widened the gap between have and have-nots since the benefits of globalised economy have not been evenly distributed. It has led to job losses mainly in textile and agriculture, which makes the backbone of Indian economy, because of influx of foreign goods which has lessened the demands for locally produced goods. Further, it has also increased competition in the Indian market as result of entry of multinational corporation, leading to decrease in profit margins of domestic businesses.

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