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**Abstract**

*Globalization has many meanings depending on the context and on the person who is talking about. In context to India, globalisation 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 in to foreign collaborations and also encouraging them to set up joint ventures abroad etc. The emergence of global integration brought with it a lot many obvious gains, in terms of high rates of growth, transfer of technology, availability of funds and induction of competition. Pure theoretical sense free markets must lead to equalization of opportunities, usage of resources prices; provided there is uninterrupted mobility of factors of production, especially labour & capital. The paper discusses the ongoing debate about the effect of globalization on Indian poverty level.*

**Keywords** : globalization, poverty, capitalism

Globalization as a term and concept has become popular since the last phase of past century and beginning of the new millennium, A revolution in IT, opening unprecedented doors of communication smashed the national boundaries replicating the world as global village. Ideologies too got mingled along with culture, expediting cross border movement of capital, labour & technology. It has encouraged the use of more efficient technologies and imports of renewed sources of energy in place of domestic natural resources.

**What is Globalization?**

Globalization has many meanings depending on the context and on the person who is talking about. "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 labour. 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 in to 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".

**Why Globalization?**

There has been an ongoing debate about the effect of globalization on Indian poverty level. But before stepping in, into this dialogue, we must note that globalization in India came along with liberalization and privatization. A structural shift in policy from public sector to private

sector with alive and scope was in inducted. In a way state control gave way to markets more and more. Internally it implied and exposed faith on capabilities of freer market forces, private profit motivation and competition, in order to promote growth.

**Globalization and Capitalism**

In essence this is the core strength of capitalism. Capitalism which may be credited for tremendous studies in development & prosperity, provided the incentives for innovations and advancements in science and technology. Eighteenth and Nineteenth centuries saw the heydays of capitalistic system leading to economic growth and progress. However 1930s and the aftermath of II world war raised serious questions on market led growth and economic systems. Marx's prophesy of doom of capitalism was hanging as Damocles' sword upon humanity. Market forces had failed to bring back the economy on path of progress and stability. The Great Depression of 1930 had resulted in widespread unemployment and hyper inflation of Germany had dragged the monetary system on brink of breakdown.

Just then Keynesian solutions of active economic policy through government intervention, use of authoritative control and management, showed ways for survival of capitalism. A new version of capitalism came into acceptance, which may be named as "Controlled Capitalism". Setting up of International Organization like IMF, World Bank promoted global integration and co-existence of diverse ideologies. After 1980s the IT revolution and the economic downfall of socialist bloc, gave further breath to market based economic system.

Development nations extended the boundaries of market, insisting upon poor nations to open up trade and entry to their markets. Therefore, it would be easier for us to

understand the dynamics of globalization & poverty, if we observe that recent globalization is synonymous to extension of capitalism, whereas the earlier phase of globalization in 14<sup>th</sup>, 15<sup>th</sup> centuries was synonymous to colonisation.

This emergence of global integration brought with it a lot many obvious gains, in terms of high rates of growth, transfer of technology, availability of funds and induction of competition. Pure theoretical sense free markets must lead to equalization of opportunities, usage of resources prices; provided there is uninterrupted mobility of factors of production, especially labour & capital.

In practice it did not happen. Whereas flow of capital was freed, restrictions were placed on movement of labour. Even U.S. has adopted policies to discourage outsourcing of business processing and other economic services. This means that free markets and globalization has been held high as a panacea for growth, chiefly in the interest of the developed nations, who need more markets and demand to sell their products and more avenues for deploying their funds in a profitable manner. Evidently globalization has become a major factor behind the high economic growth in the country. The favorable economic conditions have put a positive impact on the overall standard of living of the country. However, there are some scholars who argue that globalization, as such, does not have any such significance in improving the poverty situation in India. By properly analyzing various factors, we can have an idea whether globalization has really put a positive impact on removal of poverty in India or not?

#### **Impact of Globalization**

To study the impact of globalization it is necessary to define poverty. "According to a recent Indian government committee constituted to estimate poverty, nearly 38% of India's population (380 million) is poor. This report is based on new methodology and the figure is 10% higher than the present poverty estimate of 28.5%". Even after more than 50 years of Independence India still has the world's largest number of poor people in a single country. Of its nearly 1 billion inhabitants, an estimated 260.3 million are below the poverty line, of which 193.2 million are in the rural areas and 67.1 million are in urban areas. The poverty level is below 10% in states like Delhi, Goa and Punjab etc. whereas it is nearly half of the population in Bihar 43% and Orissa 47%.

"Globalization gives rise to the creation, production, distribution and consumption of goods and services on an unprecedented scale. That process is meant to increase economic activity for people, enterprises and countries through free international trade, direct foreign investment, and capital market flows" For a capital deficient economy it means opening up new avenues of investment and utilization of untapped natural resources and latent

energies. Theoretically there are reasons for gains by financial flows and global integration in form of risk sharing opportunities, complimentary factor endowments and encouragement to savings, investments and innovations. Practically too South East Asian Tigers reaped the benefits in 1980's and later China and then India too achieved high growth rates despite somewhat limited and relative capital account liberalization. (Effects of Financial Globalization in Developing Countries- Some Empirical Evidence by Eswar Prasad, Kenneth Rogoff, Shang Jin Wee, M. Ayhan Kose in EPW Oct. 11, 2003. Page 4319-4330).

Export growth and incoming foreign investment have reduced poverty-

Poverty has fallen in regions where exports or foreign investment is growing. In India, opening up to foreign investment has been associated with a decline in poverty. The rapid development of the capital market has been one of the important features of the current process of globalization.

A study by Dollar. D. revealed that the combination of increases in growth and little systematic change in inequality in the globalization has considerably boosted efforts to reduce poverty. "In Malaysia for example, the average income of the poorest fifth of the population grew at a robust 5.4 percent annually. Even in China, where inequality did increase sharply and the income growth rate of the poorest fifth lagged behind average income growth, incomes of the poorest fifth still grew at 3.8 percent annually. The fraction of the population of these countries living below the \$1 a day poverty threshold fell sharply between the 1980s and the 1990s: from 43 percent to 36 percent in Bangladesh, from 20 percent to 15 percent in China, and from 13 percent to 10 percent in Costa Rica, to name a few".

Globalization in India had a favorable impact on the overall growth rate of the economy. "This is major improvement given that India's growth rate in the 1970's was very low at 3% and GDP growth in countries like Brazil, Indonesia, Korea and Mexico was more than twice that of India. Though India's average annual growth rate almost doubled in the eighties to 5.9%, it was still lower than the growth rate in China, Korea and Indonesia". The pickup in GDP growth has helped improve India's global position. Consequently India's position in the global economy has improved from the 8<sup>th</sup> position in 1991 to 4<sup>th</sup> place in 2001; when GDP is calculated on purchasing power parity basis. During 1991-92 the first year of reform program. The Indian economy grew by 0.9% only. However the Gross Domestic Product (GDP) growth accelerated to 5.3% in 1992-93, and 6.2% 1993-94. A growth rate of above 8% was an achievement by the Indian economy during the year 2003-04.



Globalization has also positively affected the overall health care situation in the country. More and more medical innovations are coming in which are improving the health situation in India. The infant mortality rate and the malnutrition rate have significantly come down since the last decade. It has also put a favorable effect on the employment scenario of the country. Over the years, due to the liberalization policies, India has become a consumer oriented market where the changes are brought by the demand and supply forces. Due to the high demand and the supply chains, there has been significant growth in the market. As such, more and more job opportunities are being created in different sectors, like ITes, tourism, banking and areas in service sector where skilled & trained manpower is engaged.

High and service sector, certain export industries and beneficiaries of governments schemes, such as MNREGA, the Sixth Pay commission, the farm loan waiver and recipients of higher of higher incomes generated as a result of fiscal stimulus provided by the government have had the privilege of having more money / purchasing power in their pockets. That is why inspite of 13.7% inflation recorded in June, 2010 for CPI-IW, and food inflation of order of 10.3% in July 2010, annual growth in sales (in percent) for two wheelers went up by 26% in 2009-10 and 28.3% in 2010-11, passenger vehicles 25.6% and 33.8% respectively, LCD TVs 15% and 30%, mobile subscribers (new in millions) 177 and 109. (Economic Times Lucknow, Tuesday 17 August, 2010, Page 15)

The Gini Coefficient- Gini Coefficient is a statistical device which measure inequality. A zero value means perfect equality and higher values show skewedness. Gini Coefficient for real per-capita gross state domestic product (GSDP) for all states has gone up from 0.209 in 1980-81, to 0.292 in 2000-01. (Shetty 2003, cited by Arvind Panagariya in "India- The Emerging Giant," published by Oxford University Press 2008, Page 162) As per Economic Survey 2009-10, the Gini Coefficient had gone up to 0.368 (Economic Survey 2009-10 Page 275).

In the words of Prof. Rajesh Shukla, Director, NCAER-CMCR, "We are becoming a middle income society, not a middle class society, proportion of poor in population has gone down but income inequality has grown."

Globalisation has touched the upper income/middle income strata and has not penetrated deep down to the grass root level. That is why when the UN special Rapporteur Jean Ziegler visited India in August, 2005 and gave his report to U.N. He wrote, " levels of malnutrition and poverty remain very high and food insecurity has increased since 1990's". (Report on [www.combatlaw.org](http://www.combatlaw.org))

### Conclusion

Globalization in the form of increased integration though trade and investment is an important reason why much

progress has been made in reducing poverty and global inequality over recent decades. But it is not the only reason for this often unrecognized progress, national policies, sound institutions and political stability matters.

Though globalization has many advantages but it carries many fears in the current scenario. The first major concern is that globalization leads to a more unequal distribution of income among countries and within countries. The second fear is that globalization leads to loss of national sovereignty and those countries are finding it increasingly difficult to follow independent domestic policies. These issues have to be addressed theoretically and empirically.

As far as the economics is concerned, the big challenge is poverty, and the surest route to sustained poverty reduction is economic growth along with well intended and carved distribution policies. The evidence strongly supports the conclusion that growth requires a policy framework that prominently includes an orientation towards integration into the global economy. This places obligations on three groups: those who are most responsible for the operation of the international economy, primarily the governments of the developed countries; those who determine the intellectual climate, which includes this audience but also government and non-government organizations and individuals; and the governments of the developing countries who bear the major responsibility for economic policy in their countries. Despite this progress, poverty remains one of the most serious international challenges we face up to 1.2 billion of the developing world 4.8 billion people still live in extreme poverty. There will be new prospects in rural India. The growth of Indian economy very much depends upon rural participation as 72% of population still lives in rural areas whose livelihood depends on agriculture and allied activities mainly. Globalization has so far opened up markets and reached the rural population as consumers. Branded products, durable consumer good, preserved food items have been offered in convenient small packs. They have been targeted as mobile consumers and attractive packages have been made available at their doorsteps. But until and unless they (rural population) are intertwined into the production process, as service providers, workmen, or producers of intermediate goods/ inputs for the production chain of multinational companies, their poverty can only rise and in no case can decline. Simply their earnings, their income receipts have to increase along with their consumption demand, if we have to safeguard them from being culprits of indebtedness, or corruption.

It (the globalization process) is clearly a lopsided prescription and emerging economies/developing countries have to negotiate and put then food down for reciprocal gains.

Otherwise, globalization will, in its present form, raise GDP figures, but not the welfare of the masses. Absolute poverty may and has reduced to some extent but relative poverty will increase due to increasing disparities of income distribution and job opportunities.

In WEF Schmooze fest (World Economic Forum's meet) at Davos (Switzerland) being held at present (Jan. 2012) Klaus Schwab (the founder President of the meet) said very strongly that "a global transformation is urgently needed and it must start with reinstating a global sense of social responsibility". The urgency is based on the recent global risks report which has highlighted rising inequality as the biggest threat facing the world in future. (www.economic times.com) dated 24<sup>th</sup> Jan. 2012.

Marx has once again become relevant since globalization is ipso facto expanded capitalism, in which developed nations have well tried to push the boundaries of class conflict across nations and have safeguarded higher wages and standards of living for then wage earners in order to avoid internal conflict. Unbridled market forces (Capitalism) is sure to bring catastrophe by way of raising disparity, relative poverty, class conflict and human agony. Institutional infrastructure in form of good governance

domestically and reestablishment of autonomous and unbiased international institutional frame work is very much a necessity and indispensable alternative.

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