

Impact of Globalization on Business Environment of Developing Countries

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Abstract: The Globalization has converted the whole world in to a small village. In the last two decades most of the countries in the world have been tightly integrated with each other. In the same way the business and corporate environment has been impacted up to great extent. In fact the globalization in the world started with the existence of the United Nations Organization in 1945. The Business Environment is very dynamic and ever changing throughout the world. Every Country and Company is affected by the International Business Environment and degree of Globalization. Under the phenomenal growth of information technology which has shrunk space and time and reduced the cost of moving information, goods and capital across the globe. The globalization has brought unprecedented opportunities for human development for all, in developing as well as developed countries. This paper analyses the impact of Globalization on the business environment of the developed countries. These Countries include India, China, Sri Lanka and Bangladesh.

Keywords: Globalization. International Business Environment.

Introduction of Globalization:

It means to open the Trade and Economy for the international players. In other words, every manufacturer or producer of goods can compete for sale of their products without restrictions or without any imposed control. For example, think of a small village market or meal where all are free to come and sell their products at their desired price, irrespective of places from where they come. There are no restrictions on control on their products or the prices. This is the globalized trade. Any country can participate to set up, acquire, merge industries, invest in equity and shares, and sell their products and services in India.

Therefore, globalization should not be considered in isolation, but should be considered in totality with liberalization of the industrial policy towards lifting of trade control and restrictions, influence of trade block and simultaneous privatization.

Global market treats the world as a single market. With the advent of information technology and its strategic application, the world is focused as a global village and all traders are therefore globalized.

Advent of New Economic Policy

After suffering a huge (related to managing money) and serious money-based problem Dr. Man Mohan Singh brought a new money-based policy which is known as (easing government rules), (turning things over from the government to private companies) and (when lots of countries communicate and talk with each other) Policy (LPG Policy) also known as New Money-based Policy, 1991 as it was a measure to come out of the serious problem that was going on at that time. The following measures were taken to liberalize and globalize the (process of people making, selling, and buying things):

1. (reduction of value): To solve the balance of payment problem Indian currency were devaluated by 18 to 19%.
2. Disinvestment: To make the LPG model smooth many of the (government-run services and their employees)s were sold to the (people and businesses that are not part of the government).
3. Allowing Foreign Direct Investment (FDI): FDI was allowed in a wide range of parts/areas such as Insurance (26%), defence businesses (26%) etc.

4. NRI Big plan/layout/dishonest plan: The facilities which were available to foreign (people or businesses who give money to help start businesses) were also given to NRI's.

Impact of Globalization on Agricultural Sector:

The globalization of trade in the agricultural sector is perhaps proving to be a big blunder. The farmers will have to pay a very heavy price, for better variety of imported seeds having resistance to diseases, because of the patent rights imposed by WTO.

Over and above, the Indian farmer cannot export their products to rich countries because of inferior technology and stringent quality parameters imposed by foreign consumers. The large scale suicide by Indian farmers in Karnataka, Punjab and Haryana under the burden of heavy loans is directly attributed to this.

The Indian agriculture is almost on its deathbed. The minimum cost of eatable rice is Rs.12 per kg and apples from Australia at Rs. 100 to Rs.150 per kg cannot be afforded by poor.

Effect on Employment sector:

The employment scenario in India is probably the worst in recent years due to globalization. The restrictions of use of child labour and fair pay to workers have badly affected the traditional industries like cottage, handloom, artisans and carving, carpet, jewellery, ceramic, and glassware etc., where the specialized skills inherited for generations were passed on to the next generation from the early age of 6 to 7 years. The globalization and trade restrictions under the influence of WTO have virtually killed business in these sectors.

Globalization has helped in:

- Raising living standards,
- Alleviating poverty,
- Assuring food security,
- Generating buoyant market for expansion of industry and services, and
- Making substantial contribution to the national economic growth.

Impact of Globalization on Industrial Sector:

Effects of Globalization on Indian Industry started when the government opened the country's markets to foreign investments in the early 1990s. Globalization of the Indian Industry took place in its various sectors such as steel, pharmaceutical, petroleum, chemical, textile, cement, retail, and BPO.

Globalization means the dismantling of trade barriers between nations and the integration of the nations' economies through financial flow, trade in goods and services, and corporate investments between nations. Globalization has increased across the world in recent years due to the fast progress that has been made in the field of technology especially in communications and transport. The government of India made changes in its economic policy in 1991 by which it allowed direct foreign investments in the country. 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 provide employment to many people in the country. This helped reduce the level of unemployment and poverty in the country. Also the benefit of the Effects of Globalization on Indian Industry are that the foreign companies brought in highly advanced technology with them and this helped to make the Indian Industry more technologically advanced.

The negative Effects of Globalization on Indian Industry are that with the coming of technology the number of labor required decreased and this resulted in many people being removed from their jobs. This happened mainly in the pharmaceutical, chemical, manufacturing, and cement industries.

Impact on Financial Sector:

Reforms of the financial sector constitute the most important component of India's programme towards economic liberalization. The recent economic liberalization measures have opened the door to foreign competitors to enter into our domestic market. Innovation has become a must for survival.

Financial intermediaries have come out of their traditional approach and they are ready to assume more credit risks. As a consequence, many innovations have taken place in the global financial sectors which have its own impact on the domestic sector also. The emergences of various financial institutions and regulatory bodies have transformed the financial services sector from being a conservative industry to a very dynamic one. In this process this sector is facing a number of challenges. In this changed context, the financial services industry in India has to play a very positive and dynamic role in the years to come by offering many innovative products to suit the varied requirements of the millions of prospective investors spread throughout the country. Reforms of the financial sector constitute the most important component of India's programme towards economic liberalization.

Growth in financial services (comprising banking, insurances, real estate and business services), after dipping to 5.6% in 2003-04 bounced back to 8.7% in 2004-05 and 10.9% in 2005-06. The momentum has been maintained with a growth of 11.1% in 2006-07. Because of Globalization, the financial services industry is in a period of transition. Market shifts, competition, and technological developments are ushering in unprecedented changes in the global financial services industry.

Impact on Export and Import:

India's Export and Import in the year 2001-02 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% of total annual of annual export of the country. In 2000-01 Agricultural products valued at more than US \$ 6million were exported from the country 23% of which was contributed by the marine products alone. Marine products in recent years have emerged as the single largest contributor to the total agricultural export from the country accounting for 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 products each of which accounts from nearly 5 to 10% of the country's total agricultural exports. Some other kinds of products which were produced in restricted quantity in the country or are expensive and categorized as luxuries were subjected to heavy import duty to make them costlier in order to dissuade flow of foreign exchange and give protection to local producers. For example, VCR, Music sets, Air-conditioners, Computers etc., these items were subject to 150% import duty.

Due to globalization, the availability of study books and information on the internet or the World Wide Web (www) has increased tremendously. However, the exorbitant cost factors have made higher and specialized education beyond the reach of poor and middle class students.

Hundreds of foreign universities have started collaborating with Indian universities and study institutions. This has affected the course fees. For Engineering, Medical and Management studies, the course fees are hovering around Rs.20 to Rs.50 lakhs. Intelligent students from middle and poor class may have to settle for daily wages earning in future as they cannot afford for the same.

(2) Effect on Health Sectors:

It is unbelievable that in India, poor people have to spend a minimum of Rs.200 for a mere seasonal cold or minor stomach ailments, thanks to the multinationals pharmaceutical companies engaged in sky rocketing cost of common medicines under their brand names.

The private sector hospitals like Apollo, Medicare will be only too happy to prepare a bill of Rs.5 lakh to Rs.10 lakh for heart or Kidney operation. The monitoring of health electronically through the internet will worsen the situation further in the years to come. Death will be the easiest option for poor following the effect of globalization in health sector.

Advantages of Globalization:

- There is an International market for companies and for consumers there is a wider range of products to choose from.
- Increase in flow of investments from developed countries to developing countries, which can be used for economic reconstruction.

- Greater and faster flow of information between countries and greater cultural interaction has helped to overcome cultural barriers.
- Technological development has resulted in reverse brain drain in developing countries.

Demerits of Globalization (Challenges):

- The outsourcing of jobs to developing countries has resulted in loss of jobs in developed countries.
- There is a greater threat of spread of communicable diseases.
- There is an underlying threat of multinational corporations with immense power ruling the globe.
- For smaller developing nations at the receiving end, it could indirectly lead to a subtle form of colonization.

The number of rural landless families increased from 35 % in 1987 to 45 % in 1999, further to 55% in 2005. The electronic giants like IBM and world leaders in the telecommunication sector like Ericsson, Nokia, Airtel etc., delivered wide range of quality products at affordable prices and brought a major revolution in Indian electronic industries. In the power sector Enron, AES-CESCO is dominating the show. The resultant effects were tremendous boost to industrial sector economy. The price level came down due to cut throat competition and Indian consumers are so far happy.

Recently in May 2001, the Indian Government also opened the defense sector towards globalization and privatization farmers are destined to die of starvation or suicide.

A Comparison with Other Developing Countries:

Consider global trade – India's share of world merchandise exports increased from .05% to .07% over the past 20 years. Over the same period China's share has tripled to almost 4%. India's share of global trade is similar to that of the Philippines and economy 6 times smaller according to IMF estimates.

Over the past decade FDI flows into India have averaged around 0.5% of GDP against 5% for China and 5.5% for Brazil. FDI inflows to China now exceed US \$ 50 billion annually. It is only US \$ 4 billion in the case of India.

Conclusion:

Though globalization and liberalization of trade have resulted in the availability of large number of quality products at reasonable price, the overall money-based benefits are cancelled-out/unneeded due to the slow death of small scale and traditional products (that are bought and so The rising cost of basic food products like articles of clothing, footwear, cereals, able to be eaten oils, petrol and (liquid you can burn for light and heat), medicines and health care items, decrease in farm output, decrease in buying-related power of poor are some of the upsetting issues that have given rise to serious doubts about the benefits of globalization.

The increasing wide gap between the poor and the rich is a major cause of concern as " will attribute to the increase in crime rates, lawlessness, anti-national activities, terrorism, kidnapping, black mailing etc. The globalization process, that enables investment of foreign money, may turn out to be a serious 'debt rap' in future as was experienced in Indonesia, Brazil, Korea and some other countries.

Moreover, for a common man, the globalization is of no meaning. He wants a secured source in terms of earning money, maintains his livelihood, has reasonable savings and appreciates a trouble free life. Therefore, globalization may only add to the India's woes.

The biggest contribution of globalization is in the field of quality and development of products with various features to suit the Indians. There are varieties of semi-processed food products to suit every taste in the market which has helped us to save time. Globalization has contributed tremendously to

have access to important information towards quality education. Due to globalization; the communication sector has got a tremendous boost.

We have now cell phones; internet and the availability of latest drugs are helping to save valuable lives along with good doctors sitting across the Web to advice. Due to globalization, the car manufacturer like Maruti is not able to take us as for ride.

Now, wide choices are available to select electronic goods. Life is more comfortable with cheaper air conditioners. Most importantly, the unscrupulous Indian manufacturers are not able to take us for a ride. Thanks to globalization, we are able to dream to send a man to the moon due to a better economy and technological competence.

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