

## Chapter-6

# Globalisation

The 1990's were the decade which saw rapid changes in the world economy. Globalization has made the regions of the world come in close contact with each other. Before globalization, the export and import of various goods and commodities was quite difficult. In the present situation, goods are made available even in small towns and villages, which has been manufactured in different countries of the world. Globalization is thus, the process of rapid integration or inter connection between countries. In short, it can be said that due to globalization, the world market is turning into a borderless world.

A few years back, in India, only cars and motorcycles of reputed companies were seen on the road, e.g. Rajdoot, Yezdi in motorcycles and Fiat and Ambassadors in cars. Today, even in small towns and cities, cars of different companies and varieties can be seen on the road which



Pic. : 6.1 Cars of different companies

have been manufactured in other countries. Similarly, commodities manufactured and produced in other countries, are made available to us. Malls have been opened in small towns and big cities where the smallest as well as the biggest commodities are made available to the consumers. Cars of different sizes and varieties, commodities like mobiles and televisions are made easily available in the Indian market. More and more goods and services, investments and technology are being made available all over the world. This is due to the effective result of globalization.

### Mall

The setting up of malls is a new development in the Indian market. It is only due to globalization and liberalization that malls have been developed where consumers can get their smallest and biggest needs fulfilled. A market which makes available all products of, whether big or small, available to the consumers is known as MALL. As the owner of the mall buys goods and services in large quantities, they lure the customers by advertising lucrative offers and attracting them to buy those commodities. The consumers are profited if the goods and services come with attractive offers. But due to the setting up of malls, small businessmen are in danger.





## What is globalization?

It is only in the last few years that the term globalization has been tagged along with liberalization and privatization. In globalization, various political, social, economic, and social aspects have to be taken into consideration. In this chapter, we will have a closer look at the economic aspect of globalization.

Globalisation is that activity where the world economy comes together so that goods and services, investments and technology are made available to each other without any trade restrictions. According to Branko Milnovic "Globalisation means free movement of capital,

goods, technology, ideas and people. Any globalization that omits the last one is partial and not sustainable." Thus, in globalization, more and more goods and services, investments and technology are moving between countries. Globalisation attempts to establish links in such a way that the happenings in India can be influenced by events happening miles away. It is turning the world into one whole or creating a borderless world.

In other words, we can say that globalization is the outcome of the policies of liberalization and privatization.

#### **Privatisation**

The process of reducing the role of public sector in the economy and increasing the role of private sector is known as privatization. For the economic improvement and development, the Indian government adopted the policies of privatization in 1991.

#### **Liberalisation**

Liberalisation means to remove all restrictions imposed by the government on license and reservation. The government of India adopted the policy of liberalization in the year 1991.

#### **Globalisation**

Globalisation is the outcome of the policies of liberalization and privatization



## **Component of Globalisation:**

There are five main components of globalization.

### **1. Lessen the obstacles of Business and Trade:**

Free flow of goods and services is the essentiality of globalization for which the obstacles of business and trade should be minimized. Foreign companies should be able to sell their goods and services to India freely and the Indian companies should also export their goods and services without any restriction.

### **2. Free flow of Capital:**

Such an environment should be created where there is free flow of capital from one country to another. The foreign companies can invest in India and so can the Indian companies invest in foreign countries.

### **3. Free flow of technology:**

All the barriers should be removed and there should be free flow of technology from one country to another.

### **4. Free flow of labour:**

Free flow of labour is one of the basic ingredients of globalization.

### **5. Free convertibility of capital:**

Free convertibility of capital is very important for globalization.

It has been seen that in capital, investment, industrialization and in the areas of goods and services, there is a huge development. But free flow of labour and movement of people is acting as a hindrance to globalization. The developed countries are imposing various restrictions on these.

### **Global Village**

Due to the impact and development of globalization a global village is being constituted in every country where modern facilities are being made available to the people. People across the world can reside in this village according to their own free will. A residential place where people of various countries, religions can reside with each other freely is known as a global village. In India, a global village has been set up near Mumbai. Till now, the idea of global village has not sunk deep into the minds of the people and thus has not become practically relevant.

### **Role of Multinational Companies in Globalisation:**

Multinational companies play an important role in Globalisation.

### **Multinational Company**

A multinational company is a company that owns or controls production in more than one nation such as Ford Motors, Samsung, Coca-Cola, Nokia, Infosys, Tata Motors etc.

### **Working system of Multinational Companies**

Multinational companies set up offices and factories for production in regions where they can get cheap labour and other resources. For e.g.



Dabur, a reputed Indian company, is manufacturing its products in Nepal due to low cost of labours and cheap land resources. The multinational companies are producing their goods and services globally in order to get more profit.

Outsourcing is one of the important outcomes of the globalization process.

Multinational companies can neither produce all the goods on their own nor can they do it at one place. The production process is divided into small parts and spread across the globe. For example, a large multi-national company (MNC), producing industrial equipment, designs into products in research centres in the United States, and then has the components manufactured in China because China provides the advantage of being a cheap manufacturing location. These are then shipped to Mexico and Eastern Europe where the products are assembled and the finished products are sold all over the world. Meanwhile, the company's customer care is carried out through call centres located in India. India also has educated English speaking youth who can provide customer care services. And all this probably can mean 50-60% cost saving for the MNC. The advantage as spreading out production across the borders to the multinationals can be very productive and useful.

### **Global Connection of Products:**

The multi-national companies advertise their products on different levels.

1. The MNCs set up and buy local companies and then advertise their products. For example, the Coca Cola, an MNC company bought the right of Thums Up brand which is a product of Parle Group.



**Pic : 6.3 - This is a call center situated in Patna**

2. At times, MNCs set up production jointly with some of the local companies of these countries. The MNCs bring with them the latest technology for production. They also provide money for additional investments.

**Investment :** Amount expend in purchasing of capitals like Land, Houses, Machines and other tools are called Investment.

3. Big MNCs buy up local companies to expand their production. For example, Garments, shoes, toys, sports items are produced in large quantities by small local companies and the MNCs sell these products

**Foreign Investment :** Investment done by International Companies are called Foreign Investment. Objective of this investment is to make profit.



Thus we see that there are a number of varieties in which the MNCs are spreading their production and interacting with local producers in various countries across the globe.

The MNCs are exerting a strong influence on production by setting up partnership with local companies. As a result, production is getting widely interlinked in these widely dispersed locations. Thus, the MNCs are playing a vital role in the globalisation.

### **Globalisation and Integration of Market:**

For a large time, foreign trade have been the main channel connecting countries. In history we have read about different trade routes connecting India and South Asia to market both in the east and the west. It was due to their trading interests that the East India Company came to India. Foreign trade creates an opportunity for the producers to reach beyond their own domestic market and sell their products. Producers can sell their products not only in local market but also in market located in other countries of the world. In general, with the help of trade, goods travel from one market to another. Choice of goods in the market rises and the prices of similar goods in the two markets tend to become equal. Thus due to globalisation, the policies of foreign trade have become quite liberal.

Foreign trade thus results in connecting the market in integration of market in different countries.

### **Factors Responsible for Globalisation:**

There are two main factors responsible for globalisation which have been discussed below:

#### **1. Rapid Improvement in Technology:**

Rapid improvement in technology has been one major factor that has stimulated the globalisation process. We are living in an age of

industrialisation where places have come near globally and the world has turned into a global cottage. In recent times, technology in the areas of telecommunication are used to connect people and access information instantly. Commuters have now entered in almost every field of activity which has made the world come closer at negligible costs.

In the field of transport too, goods and commodities are transported from one place to another at a very cheap rate. Goods are placed in containers and loaded into ships, planes, railways and trucks. These containers have led to huge reduction of costs and increased the speed of export. Similarly the cost of air transport has been reduced which has enabled greater volumes of goods being transported by airlines.



**Pict. 64 : Container for goods transportation**

### **Development in Information and Communication Technology:**

There has been remarkable development in the field of



information and technology. Telecommunication facilities like telephones, mobiles, fax enables us to establish contact with one another around the world.

Computer has now entered in almost every field of activity. It is due to the easy accessibility of the internet that we can obtain and share information about anything that we want to know. We can send e-mail and voice mail across the world at negligible costs. Information technology has been a great help in the development of globalisation. This has been best explained by this example. A New York publication wants to publish a book or a journal. The text of the journal is designed and sent through the internet to the Mumbai office. The design is sent using telecommunication facilities and the designing is done in Mumbai. The designers design and print the magazine, which is sent by air to New York. Even the payment of money for designing and printing is sent through the internet (e-banking) to the bank in Mumbai instantly.

Thus we see that information and communication technology has played a major role in globalisation.

## 2. Liberalisation of foreign trade and foreign investment policy:

The India Government, after independence, had put certain barriers on foreign trade and investment. This was necessary to protect the producers within the country from foreign competition. Around 1991, some changes in policy were made in India. Government decided that the time had come for Indian producers to compete with producers around the globe. It felt that the competition would improve the performance of producers within the country since they would have to improve their quality. Thus, barriers

### **Trade barrier:**

It is called a barrier because some restrictions have been set up. Government can use trade barriers to increase or decrease foreign trade and to decide what kinds of goods and how much of each should come into the country.

on foreign trade and foreign investment were removed to a large extent. Removing barriers or restriction set by the government is what is known as liberalisation.

Foreign trade and foreign investment also plays a major role in globalisation.

### **World Trade Organisation (W.T.O.)**

The World trade organisation (WTO) is one such organisation the aim of which is to liberalise international trade. This organisation was set up in 1995. India has been its founder member. Nearly 149 countries of the world are members of the WTO (2006). Its main office is in Geneva. WTO establishes rules regarding international trade and sees that these rules are obeyed. WTO allows free trade for all but it is seen that the developed countries have unfairly retained trade barriers. But the WTO rules have forced the developing countries to remove trade barriers.

### **Globalisation in India — Why?**

There is a great need for industrial and trade development in the present day scenario. India is a big country and with its huge population and bigger area, production can be done at a large scale. Being a member of the biggest consumer country, the whole world has its eyes on India. Globalisation has made its impact due to the new techniques of information technology and capital investment.



The following points are drawn in favour of globalisation in India.

**1. Increase in Direct Foreign Investment :**

With globalisation, India will be able to benefit a lot as there would be more and more foreign investment.

**2. Increase in competitive power:**

Due to globalisation, India would benefit from the increased competition in the world market which would also enhance its economic states.

**3. Facilitates new Technology:**

With globalisation, India is able to use newer technology and raise their production standards.

**4. Availability of High Quality Consumer Goods:**

Globalisation has made available to India high quality consumer goods at a cheaper rate.

**5. Availability of New Market:**

Due to globalisation a way to reach world markets will be opened for developing country like India.

**Points in favour in globalisation:**

1. Increase in Direct Foreign Investment
2. Increase in competitive power
3. Facilitates new Technology
4. Availability of High Quality Consumer Goods
5. Availability of New Market
6. Improvement in the quality of product
7. Banking and Financial Reforms
8. Improvement in the Efficiency of Human Capital

**6. Improvement in the quality of product;**

The quality of product has also been raised due to the powerful impact of globalisation.

**7. Banking and Financial Reforms:**

Globalisation would definitely help in bringing about certain reforms in banking and financial sectors which would make transfer of money easy.

**8. Improvement in the Efficiency of Human Capital:**

The main areas on which globalisation concentrates is improvement in the educational and technical areas. With it, there would indeed be a sharp increase in the efficiency of human capital.

But there are certain statements on the benefits and loss due to the globalisation. A section of economic and social informers think that globalisation would be very harmful and non-beneficiary for India. They are of the view that small industries, labours and manufacturers would shut down rendering many workers jobless. But in recent years, the world has entered into a new era of 21<sup>st</sup> century. The government of China and Russia has made certain reforms in the investment policies. So, it would be difficult for India to keep itself away from the impact of globalisation. Moreover, for the development of our country, the policies of globalisation have in fact become essential.

**Globalisation : It's Historical Perspective (Globalisation before 1991):**

Globalisation is not new to the world. From 1870 to 1914, there was a wave of globalisation. There is a lot of similarity between the globalisation of today and that of yester years. During the end of 19<sup>th</sup> century, due to foreign trade, the world economy had become organised. The only difference between these two eras of globalisation is that of international residency. During 1870 to 1914, there was



liberalisation in the movement of skilled labourers, but in the present era, this movement has slowed down and the labour laws and policies too have changed.

The factors behind globalisation in both these era are more or less the same. There has been a great change due to the new techniques of information and communication technology. Invention of various industrial techniques has come into existence. As America is the major focus, Britain had this impact in the last era of globalisation pound and sterling were considered to be the international basis of money transaction.

### **Effect of globalisation on Bihar :**

The economy of Bihar is changing due to globalisation. For economic development, like other states, Bihar too needs capital and financial investments. Investments are made only in those places where there is scope for economic and social development (as water is attracted more to the lower level because of its area). For industries to flourish, there should be sufficient supply of water, electricity and transport and then there can be economic development in a state. On the social front too, there should be peace so that the investors feel free to put in their capital. Though electricity insufficiency is one of the major causes of under-developed Bihar, yet there is wide progress in the transport facilities and law and order situations. The infrastructure is being developed, so that Bihar can progress rapidly. Prof. A. P. J. Abdul Kalam had once said, "For the development of India, it is necessary and essential that Bihar should be developed."

In the present era, in the field of production and consumption, the whole world has turned into one country. This effect of globalisation is evident also in Bihar. In the age of progress and development, emphasis should be put on development, so that globalisation can show its true colours.

But globalisation, besides having its positive impact on Bihar, has its negative effects too which are as follows:

The positive impact on Bihar are as follows:

**1. Increase in agricultural production :**

After globalisation, there has been a rapid increase in agricultural production. Like the country, Bihar too, is dependent on the monsoon for its agricultural production. In the year 2009, there has been famine due to less rainfall. But it is due to globalisation that the govt. of Bihar is now capable of confirming that there is abundance of food production & supply.

**2. Increase in exports:**

Due to globalisation, there has been a rapid increase in exports. Export of raw materials, products of small scale industries, fruits are some of the major areas where Bihar has shown a rapid development. Fruits like Litchi, Mango and Makhana are some of the famous products which are exported today.

**Positive impact of Globalisation in Bihar**

1. Increase in agriculture production.
2. Increase in exports
3. Availability of foreign direct investment
4. Increase in net state domestic product and per capita net state domestic product
5. Availability of International Consumer Goods.
6. Increase in Employment opportunities
7. Establishment of Banking and Insurance Company



### 3. **Availability of Foreign direct Investment:**

Foreign investors have shown a great interest in investing in Bihar because of the rapid development. Due to the shortfall in the production of electricity, the investors are a little hesitant in investing, but this situation would definitely improve in the coming days.

### 2. **Increase in net state domestic product and per capita net state domestic product:**

Due to globalisation, there has been a considerable increase in net state domestic product and per capita net state domestic product in Bihar.

### 3. **Availability of world-class consumer goods:**

Due to globalisation, world-class consumer goods are easily available in the market. Different international company products like mobile phones, shoes, garments, food products, cars and various electronic goods are easily available in Bihar.

### 4. **Increase in employment opportunities:**

Due to globalisation, there has been increase in employment opportunities. Highly educated and skilled labourers are getting better opportunities of employment outside the country. Many software engineers of Bihar are working in foreign countries, especially in USA and England.

### 5. **Establishment of Banking and Insurance Company:**

It is the effect of globalisation that many new banking and insurance companies have come forward to establish themselves.

In Bihar, many Insurance companies in collaboration with various Indian companies have been established for example, Bajaj Allianz, Birla Sunlife, Tata AIG, Aviva etc.

The markets of Bihar have now been flooded with various international products. Various higher education and industrial companies are eager to establish themselves in Bihar. The skilled labourers of Bihar are in great demand around the world and are getting good opportunities of employment. In the recent years, the infrastructure of Bihar is attracting the tourists which is eventually increasing the rate of capital investment in Bihar.

### **Negative Impact:**

The negative impact of globalisation on Bihar are as follows:

#### **1. Neglect of agriculture and agro-based industries:**

Bihar is an agricultural state. Big industries are almost negligible over here. But the investment on agriculture is not satisfactory. Agriculture based industries are in demand over here. But inspite of globalisation, people are not very keen to invest in agricultural industries.

#### **2. Adverse effect on cottage and small scale industries:**

Industries on a large scale in Bihar are very negligible in comparison to the cottage and small scale industries. Due to globalisation, the products of these small scale industries do not reach the market because of the competition from the international companies which are better and available at a cheap rate. For example, The Chinese toys are in great demand because of their quality and affordable price. The Chinese markets have side-lined the toys manufactured by the cottage and small scale industries.



### 3. **Adverse effect on employment :**

Due to the international companies and their products flooding the local market, many small scale and cottage industries have shut down. Due to this, unemployment has increased. Due to the stiff competition in the market, people are not ready to pay to unskilled workers on a permanent basis. Thus unemployment is increasing on a day to day basis.

### 4. **Low investment due to poor infrastructure:**

There has been low capital investment in Bihar in comparison to other states. This is because Bihar lacks in the field of infrastructure. There is lack of good transport facilities, electricity, international standard of hotels and airports. The government of Bihar is trying its level best to improve its infrastructure, but still, a lot of improvement is to be done.

#### **Negative impact of Globalisation in Bihar**

1. Neglect of agriculture and agro-based industries
2. Adverse effect on cottage and small scale industries
3. Adverse effect on employment
4. Low investment due to poor infrastructure

In conclusion, we can say that the positive impact of globalisation on Bihar is much more than its negative impact. Globalisation is a reality which has its own place. We have to concentrate more on its positive results rather than its negative impact.

## **Economic Reforms since 1991:**

The financial crisis can be traced from the inefficient management of the Indian economy in the 1980s. For implementing various policies and for its administration, the government generates funds from various sources such as taxation, running of public sector enterprises. When expenditure is more than the income, the government borrows to finance the deficit from banks, from people within the country and from international financial institutions. In 1991, India met with an economic crisis relating to its external debt. The govt. was not able to make repayment on its borrowings from abroad, foreign exchange reserves which is to generally maintain petrol and other important items, dropped, to a level that were not sufficient for even a fortnight. The gulf war of 1990-91 deepened the crisis. The crisis was further compounded by the rising prices of essential goods. All these led the government to introduce a new set of policy measures which changed the direction of our developmental strategies.

### **Meaning of Economic Reforms:**

Economic reforms means those policies of 1991 through which there is increase productivity, efficiency, profit and competition.

Economic reforms is based on the policies of liberalisation, privatisation and globalisation. It is thus also known as (LPG). In other word, it is also known as the New Economic Policy.

#### **Describe LPG**

**L = Liberalisation**

**P = Privatisation**

**G Globalisation**

### **Objectives of Economic Reforms or New Economic Policy:**

The objectives of the economic reforms or New Economic Policy are as follows:

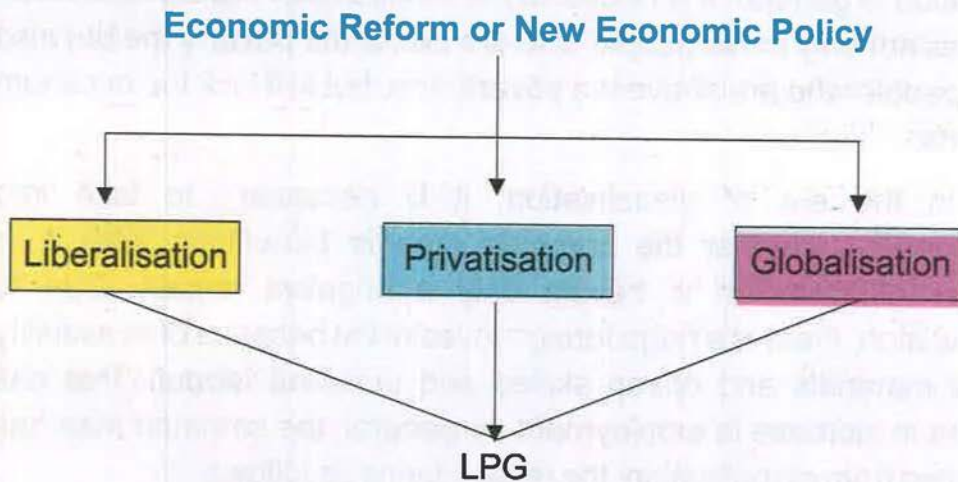
1. To increase the productivity and efficiency of the economy.



2. To increase its international competitiveness.
3. Maximum use of foreign investments and technology upgradation.
4. To increase the rate of economic development.
5. Use of various international mechanism for economic development.
6. To improve and develop the financial sectors so that they are able to fulfil the demands of the economy.
7. To improve the performance of the public and social sectors.

### **Main features of Economic Reforms or New Economic Policy:**

The main features of the New Economic Policy are liberalisation, privatisation and globalisation.



All these have been discussed already in the chapter.

## **Globalisation and Common Man:**

A majority of the population are deprived even of the minimum comfort needed for their survival. The common man is that section of the society who are deprived of the minimum comfort benefits and are surviving only a meagre amounts. In 2009-10, in India, almost 85% of the population belonged to low income group and were deprived of the basic amenities. This group is known as the common man. The National Council of Applied Economic Research (NCAER) in 2006 published 'The Great Indian Middle Class' in which it state that in the construction of Indian social sector, the contribution of the common man is to a large extent.

85% of the Indian population is deprived of the minimum comforts and lead a hard life. This is because of the over-population of the country. The contribution of the population in the formation of the Indian economy is to a large extent. That is why, during elections, the parties make promises for the betterment and the upliftment of the population in general. It is necessary to mention that the common man includes not only those people who are below the poverty the but also those people who are above the poverty line, but still lack the minimum comforts.

In the era of globalisation, it is necessary to take into consideration whether the common man is benefitting from it or whether globalisation is having only a negative impact. Due to globalisation, there is a huge foreign investment because of availability of raw materials and cheap skilled and unskilled labour. This has resulted in increase in employment. In general, the common man has benefitted from globalisation; the reason being as follows:

### **1. Availability of goods and services :**

Due to globalisation, the world market has become one and people are able to use and buy goods and services of other



countries at an affordable price. For example, the common man used to entertain themselves through radio only, but now, as coloured televisions are affordable, they can buy and entertain themselves by watching different programmes.

## **2. Increase in employment:**

Employment has increased as new areas in various industries have opened up to employ skilled labourers.

## **3. Availability of new technology:**

Technology has played a vital role in globalisation. New techniques are easily available and the common man is able to use and get benefit from them:

### **Impact of globalisation on the common man:**

1. Availability of goods and services
2. Increase in employment
3. Availability of new technology

But globalisation also has its negative impact on the common man which are as follows:

## **1. Increase of unemployment:**

Globalisation has increased the use of machines and as a result, the semi-skilled and unskilled labourers are losing their jobs. Hence unemployment is increasing.

## **2. Increase in competition in the industrial and business sectors:**

Due to the multi-national companies and their goods and attractive products, the local companies are facing a stiff competition.

### 3. **Bad effect on labour organisation:**

The labour organisations work as a group to ensure proper wage and other necessities to each and every labourer. But due to globalisation there has been reforms and changes in the labour policies, the labour organisations have become weak and the common labourers are suffering a lot.

### 4. **Difficulties for small scale and cottage industries:**

The small scale and cottage industries are suffering from a set-back due to the multi-national companies. It is truly said that as big fishes in the water eat up all the small fishes, in the same manner, the multi-national companies are endangering the very existence of small scale and cottage industries.

### 4. **Hardships in agriculture based village:**

#### **Negative Impact of Globalisation on Common Man**

1. Increase of unemployment
2. Increase in competition in the industrial and business sectors
3. Bad effect on labour organisation
4. Difficulties for small scale and cottage industries
5. Hardships in agriculture based village

The negative impact of globalisation is that the idea of modern farmhouses are coming into existence in which due to new techniques and technology, the demand for labour decreased. Due to this the farmers are facing a lot of hardships.

After discussing the positive and negative impacts of globalisation on the common man, we have come to the conclusion that the common man is surely going to benefit from globalisation in the long



run. It is time that there would be increase in capital investment, production and income in general. But only handful of the population, the rich and the educated are going to benefit from it. Due to globalisation the income and standard of living of the high class would increase and 85% of the population would become poorer day by day. So, the development of globalisation should ensure that its benefits are shared by all.

The common man is hardly able to meet his minimum needs. For them, it is just out of question that they can use and buy goods and services of high quality. Most of the population is below the poverty line, so they are hardly going to benefit from globalisation. It is altogether a different thing that the underdeveloped and developed countries are trying to set up new industries which will benefit the labour class. We are hopeful that with the increase in employment of under skilled and semi-skilled labourers, the standard of living would definitely increase.

After seeing the impact of globalisation on the common man, we can come to the conclusion that India has, till now, hardly benefitted from it. India is on the map of developing country in the 21<sup>st</sup> century. If there is fair distribution and inclusive growth on all fronts of the society, the common man will definitely benefit from globalisation. If the goods and services are also made available to them, India is sure to be on the ladder of a developed country. For this, we have to be honest and fair with all the sections of the society and let each and every person benefit from it, which we can describe as Inclusive Growth.

### Summary

- Globalisation — Globalisation is the process of rapid integration of countries. So that goods and services, industrial sector, capital investment and labour can be exchanged without any hindrance.

- Five main parts of globalisation — (i) Lessen the obstacles of business and trade (ii) Free flow of capital (iii) Free flow of technology (iv) Free flow of labour (v) Free convertibility of capita
- Multi-National companies are producing the goods and services globally and thus playing an important role in globalisation.
- Foreign trade is the main channel to connect the world and the national market.
- The main factors that have stimulated globalisation are :  
(a) development in information and communication technology  
(b) liberation in foreign trade and foreign investment.
- World Trade Organisation (WTO) establishes rules regarding international trade and sees that the rules are obeyed.
- The factors favouring globalisation are (i) Encouragement in foreign investment (ii) Increase in competition (iii) Facilitates new technology (iv) Availability of high quality product (v) Reach new market (vi) Increase the standard of goods and services (vii) Reforms in Banking and Financial sector (viii) Improvement
- Effect of globalisation on Bihar Globalisation has both positive and negative impacts on Bihar.

**Positive Impact —** (i) Increase in agricultural production (ii) Increase in exports (iv) Availability of foreign direct investment (v) Increase in net state domestic product and per-capita net domestic product (vi) Availability of International consumer goods (vi) Increase in employment opportunities (viii) Establishment of Banking and Insurance company

**Negative Impact —** (i) Neglect of agricultures and agro based industries (ii) Adverse effect on cottage and small scale industries (iii) Adverse effect on employment (iv) Low investment due to poor infrastructure



- Economic Reform Since 1991: Liberalisation, Privatisation and Globalisation are the basis of economic reforms. It is also known as LPG. It is also known as the New Economic Policy.
- Liberalisation: Liberalisation means to remove all restrictions imposed by the government on license and reservation.
- Privatisation: The process of reducing the role of the public sector in the economy and increasing the role of the private sector is known as privatisation.
- Privatisation and the Common Man: Globalisation has some positive and more negative impact on the Common Man.

### Questions

#### Objective Questions:

##### I. Choose the correct answer:

1. What was included in the New Economic Policy?  
 (a) Liberalisation (b) Privatisation  
 (c) Globalisation (d) All of the above
2. How many factors constitute globalisation?  
 (a) One (b) Two  
 (c) Five (d) Four
3. Which of the following is a multi-national company?  
 (a) Ford Motors (b) Samsung  
 (c) Coca-Cola (d) All of the above
4. The meaning of globalisation is:  
 (a) Control on foreign investment and trade  
 (b) Trade, capital, technology, information & communication collaboration between national and world economy  
 (c) To increase nationalisation  
 (d) None of the above

5. Which company bought the 'Thums Up' from the Parle Group?

- (a) Coca-Cola (b) LG  
(c) Reebok (d) Nokia

## II. Fill up the blanks:

1. Globalisation means collaboration of National economy with the \_\_\_\_\_ economy.
2. \_\_\_\_\_ is encouraged due to trade, capital, technology, information and communication.
3. The multinational companies are playing an \_\_\_\_\_ part in globalisation.
4. Foreign trade \_\_\_\_\_ all the markets of the nation.
5. The WTO was constituted in \_\_\_\_\_.

## Short Answer Question:

1. What do you understand by globalisation?
2. What are multinational companies?
3. What is World Trade Organisation? When and why was it constituted?
4. What do you understand by the Economic Reform of 1991?
5. Define liberalisation.
6. What do you understand by privatisation?

## Long Answer Question:

1. What are the factors which affect the establishment of a multinational company in any country?
2. Discuss the factors affecting globalisation in Bihar.



3. Give your view regarding the positive impact of globalisation in India.
4. What are the effect of globalisation on the common man?

### Project work:

What are the effects of globalisation and how much have the people gained from it? Discuss with ten people of middle class near your school or locality.

- a) In recent years, has there been an increase in the use of consumer goods?
- b) If yes then
  - (i) Have they been bought from the local market or multi-national companies?
  - (ii) How many goods are of multi-national companies?
  - (iii) Explain globalisation to them and ask about the positive and negative impact on their lives.

On the basis of the questionnaire, discuss the positive as well as the negative impact of globalisation in about ten lines.

### Answer to Objective Questions

- I. 1(d) 2(c) 3(d) 4(b) 5(a)
- II. 1. World 2. Globalisation 3. Main/Important  
4. Combines/Joins 5. 1995

