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GLOBALISATION AND ITS EFFECTS

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Abstract

The former World Bank President stated that poverty amid plenty is the world's greatest challenge until now. In 1996, United Nation General Assembly came to terms that eradicating poverty is an ethical, political, social and economic imperative of humankind. International development, trade organizations, and financial, as well as practitioners and academics in this field confirmed to this statement. Globalization is the process by which regional economies, societies, and cultures have become integrated through a global network of political ideas through communication, transportation, and trade. The term is most closely associated with the term economic globalization: the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, the spread of technology, and military presence. Understanding the current status of globalization is necessary for setting course for future. For all nations to reap the full benefits of globalization it is essential to create a level playing field. On the other hand, Poverty is the lack of basic human needs, such as clean and fresh water, nutrition, health care, education, clothing and shelter, because of the inability to afford them. Poverty is additionally seen as a state of mind and a lifestyle- more than just a lack of materials. It is a state of deprivation and insecurity. In the world of globalization and without boundaries, one would wonder how in certain parts of the world, poverty is still a major issue. Why is the standard of living in certain countries far better than the others and why is a large part of the world poor? This paper also analyses the positive and negative effects of globalisation.

Keywords: Globalization, Poverty, Inequality, Economic Globalization.

Introduction

Globalization is a concept that is difficult to define in terms of both its meaning and its emergence. It is used in this text as an umbrella concept to describe major changes society is going through. Its modern origins are generally identified with the 1980s when profound economic, political and technological transformation took place around the world. Many of underlying trends, of course, have a much longer history. Defining events include the discovery and use of integrated systems of information and communication technology, more open political systems and the ascendancy of neo-liberal economics strategies in both developing and developed countries. Typically defined as the process by which different countries become more closely integrated through international technology transfers, trade liberalization, and greater mobility of information and capital. Whether globalization helps or hurts the world's poverty level is a constant debate. Poverty literally has two central meanings. The first refers to an absolute standard of living which is reflected in satisfying the minimum basic needs required for survival. The second is relative poverty reflected in the income gap between the rich and the poor, which often is measured by economists in the form of artificial currency called "purchasing power disparity dollars". Those who are in favour of globalization, the optimists, argue that globalization raises incomes across the board so that even those at the bottom of the income distribution gain in absolute terms. The views of the optimists are compatible with the Kuznets hypothesis, which holds that even if inequality at first ascends, it declines once a country develops. The pessimists, who oppose globalization, dispute that the benefits of globalization are not equally distributed so that some may even lose in absolute terms.

GLOBALIZATION AND POVERTY

Globalization

Globalization is the growing integration of economies and societies around the world. It ranges from the issues of trade and services, movement of capital, growth and poverty of the world population, international migration to easier transportation and communication around the world. It is a complex process that affects many lives and above all, increased economic interdependence among countries. The International Monetary Fund outlined four basic aspects of globalization - capital and investment movements, trade and transactions, dissemination of knowledge and the migration and movement of people. The process of globalization affects and are affected by political, economics, socio-cultural, legal and natural factors. Globalization has in many ways been linked to development across the globe, of which one of the ultimate goals of development is poverty reduction. With the unprecedented entry of developing and low-income countries into the global economic integration, the discussion on globalization and poverty has heightened. Scholars and economist's debate on whether globalization is the cause or cure for poverty.



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Poverty

Poverty is generally explained as the scarcity or the situation in which a person lacks a certain amount of material possessions or money. It is a condition in which a community or a person lacks the essential needs to enjoy a minimum standard of living in the society. The United Nations sees this a violation of human rights as the lack of basic capacity to participate effectively in society results in insecurity, powerlessness and exclusion of individuals, households and communities into the societies' mainstream. The World Bank defines poverty as a deprivation in well-being of which many dimensions are considered. These include low incomes and the inability to acquire basic goods and services deemed necessary for survival with dignity. Other dimensions included are poor access to clean water and sanitation, low levels of health and education, inadequate physical security, lack of voice, and inadequate capacity and opportunity to better one's life. Poverty is usually measured as either absolute or relative. In relative form, equality is shown as an index of income inequality. The study of poverty is often linked to globalization as the effect of globalization on the world's poor is highly debated.

Effects of Globalisation on poverty in underdeveloped countries

According to Chandrasekaran Balakrishnan (2004), Globalization is a buzzword that is seen to have dominated the world since the 1990's of the last century with the end of the cold war and the break-up of the former Soviet Union and the global trend towards the rolling ball. The frontiers of the state with increased reliance on the market economy and renewed faith in the private capital and resources, a process of structural adjustment spurred by the studies and influences of the World Bank and other, international organizations have started in many of the developing and less developed countries. Globalization has therefore depicted both positive and negative results; as the less developed countries economies are greatly influenced by the developed nations.

Positives by Globalisation

Globalization has created the concept of outsourcing. Work such as software development, customer support, marketing, accounting and insurance is outsourced to less developed countries like Tanzania. So, the company that outsourced the work enjoys the benefit of lower costs because the wages in less developed countries is far lower than that of developed countries. The workers in the developing countries get employment. Developing countries get access to the latest technology.

Increased competition forces companies to lower prices and in the long run benefits the end consumers in the third world countries. An example is the telecommunication industry, where many international firms have ventured in the local market and as a result there has been increased competition thus lowering of calling rates.

Increased media coverage draws the attention of the world to human right violations. This leads to improvement in human rights.

Globalization allows companies to find new, specialized talent that is not available in their current market. For example, globalization gives companies the opportunity to explore tech talent in booming markets such as Berlin or Stockholm, rather than Silicon Valley.

Globalization has brought in new opportunities to less developed countries. Greater access to developed country markets and technology transfer holds out promise to improved productivity and higher living standard. The improved standards of living means improved wellbeing of the population in the less developed countries.

In addition, Globalization makes it easier than ever to access foreign culture, including food, movies, music, and art. This free flow of people, goods, art, and information is the reason you can have Thai food delivered to your apartment as you listen to your favourite UK-based artist or stream a Bollywood movie.

Negatives by Globalisation

Less developed countries have outsourced manufacturing and white-collar jobs. That means less jobs for their people. This has happened because manufacturing work is outsourced to developing nations like China where the cost of manufacturing goods and wages are lower. This in turn has led to increased poverty in these countries due to limited job opportunities.

Globalization has led to exploitation of human labour. Prisoners and child workers are used to work in inhumane conditions. Safety standards are ignored to produce cheap goods. This has led to working in risky environments which endangers their health thus



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DOI: <http://ijmer.in.doi./2022/11.09.34>
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they use more of their little income on health. so instead of acquiring other basic needs they instead channel all the resources on acquiring health care thus increased poverty.

The competition in the job market due to globalization has led to Job insecurity. Earlier people had stable, permanent jobs. Now people live in constant dread of losing their jobs to competition. Increased job competition has led to reduction in wages and consequently lower standards of living. Due to globalization, people work from internet in various locations hence reducing the opportunity to enable others work.

Globalization has led to the exploitation of less developed countries this is because, Companies have set up industries causing pollution in countries with poor regulation of pollution. This has led to air, water and soil pollution. Thus, poor health among the inhabitants of such countries. This reduces the productivity of the people and thus poverty sets in.

Another negative aspect of globalization is that a great majority of less developed countries remain removed from the process. Till the nineties the process of globalization of less developed economies was constrained by the barriers to trade and investment, liberalization, investment and financial flows initiated in the nineties have progressively lowered the barriers to competition and hastened the pace of globalization countries.

While, globalization has made foreign countries easier to access, it has also begun to meld unique societies together. The success of certain cultures throughout the world caused other countries to emulate them. But when cultures begin to lose their distinctive features, we lose our global diversity.

Conclusion

Though significantly globalization does not increase or decrease inequality within countries, it disguises the reality that there will be specific winners and losers in each society. Good social protection policies can be a key factor in helping people prosper in this more dynamic environment. Therefore, for the less developed countries to have a stake in the global economy, they have to concentrate on five important areas to achieve their goals. The areas are technological entrepreneurship, new business openings for small and medium enterprises, importance of quality management, new prospects in rural areas and privatization of financial institutions. The manufacturing of technology and management of technology are two different significant areas in the country. And with right approach and proper strategy world can reap the benefits of globalisation and eradicate poverty also.

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