

Research Paper



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GLOBALIZATION AND ICT IN INDIA



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Globalization is the process of transformation of local or regional phenomena into global ones. It can be described as a process by which the people of the world are unified into a single society and function together. This process is a combination of economic, technological, sociocultural and political forces. Looking specifically at economic globalization, demonstrates that it can be measured in different ways. These center around the four main economic flows that characterize globalization: Goods and services, e.g. exports plus imports as a proportion of national income or per capita of population · Labor/people, e.g. net migration rates; inward or outward migration flows, weighted by population · Capital, e.g. inward or outward direct investment as a proportion of national income or per head of population · Technology, e.g. international research & development flows; proportion of populations using particular inventions (especially ‘factor-neutral’ technological advances such as the telephone, motorcar, broadband)

In the global economy, a series of changes has increased the importance of developments in Internet and Communication Technologies (ICT). Development in ICT after 1990s have caused service mobility composing an indispensable infrastructure. The difference between trade in goods and services have been disappeared. Services look for an infrastructure to mobilize. Telecommunication networks and widening internet made it possible for some service sectors, such as education, health, engineering, banking and

entertainment, etc. to be tradable. Thus, people will have the knowledge about the quality and price of the goods and services in any country in the world. This process is picking up speed in last years making the world a place where standardized goods and services are put into use by means of decreasing prices and increasing the quality and efficiency.

Globalisation has brought forth significant changes in India and has generated intense discussion about the national level economic reforms that it has brought in. In the process, the state level reforms have not received much attention. The last three decades have witnessed a sea change in the character and functioning of the world economy. With the speeding up of the relative decline of the industrial sector, the rise of the services economy, and the growing ubiquitous ness of information and communications technologies (ICT) a ‘new economy’ has been created. There is increasing recognition that knowledge-based economic activities are key to international competitiveness and productivity growth, and that industrialization, particularly manufacturing, is no longer viewed as the principal driver of economic growth. The impact and potential of ICT for development are at best mixed and there is considerable variation within and among countries. Developing countries are structurally disadvantaged in seeking the best from the global regime of ICT infrastructure, which, interalia, is related to their lack of key ingredients such as human capital, physical infrastructure, and venture capital to exploit ICT. But that does not mean the doors are

closed. Poor countries (such as the Philippines and India) that have unwittingly created human capital are better placed to interact with the global economy, adapt imported ideas and know-how, and localize them.

The wide variation in ICT diffusion is mainly due to weak economic and institutional environments. This suggests that 'old' economy needs infrastructure development and domestic market stimulation are still relevant. ICT in the form of automation, suggests not only increasing competitiveness of small and medium enterprises due to productivity growth it also results in labour displacement, especially of the unskilled. At the same time, productivity-led opportunities thrown open by economic integration suggest that the vast rural poor and illiterate populations may miss out on the benefits of ICT if appropriate social policies are not aimed at improving the quality of their lives. Developing countries must still contend with traditional development concerns such as poverty and inequality as well as structural transformation from agriculture to industry. Yet, they must be alert to the possibility that increasing export competition in labour-intensive manufactures means declining terms of trade when not offset by continuous learning and technological upgrading.

The new economy also imposes a reduction in social protections due to endemic fiscal crisis as business demands for flexibility and deregulation, open unemployment due to privatization of the state sector, and, paradoxically, by productivity-enhancing ICT. The continued emphasis on investment in traditional development spheres such as education, literacy, basic health, and physical infrastructure is considered necessary to make participation in the new economy more effective.

The evidence of productivity growth based on ICT diffusion is not robust for developing countries, partly due to productivity lags, it would be foolhardy to ignore the benefits of ICT in poor societies. ICT is an enabling carrier technology, applicable in both new and old economies. ICT is not a panacea for poverty, developing countries, if they fail to actively engage in the use and production of ICT goods and services, are likely to be impoverished further and experience deepening problems associated with the

global digital divide. ICT services can be employed in a wide variety of social and economic sectors such as education, health, rural development, business, banking, and manufacturing activities. Thus, fostering knowledge workers and establishing communications infrastructure is consistent, though in conflict resource allocation-wise, with basic education and human capital development and with infrastructure spending on rural roads and irrigation.

The fundamental development challenges of literacy, basic education, alleviation of poverty and inequality, health, and the rural-urban gap could be addressed by wider ICT adoption, complemented by a variety of critical services to under-served rural and low-income constituencies. Poor and developing countries must foster e-development to complement a wider development strategy to meet basic needs. Based on the extensive and intensive use of ICT, public sector services can be efficiently provided to citizens, business, and to various government departments. The expected benefits are lower transactions costs, greater efficiency in service delivery, more transparent governance, and productivity growth.

The challenges to the implementation of such projects should not be underestimated as they require financial and human resources, long-term commitment, intra-government coordination, and public acceptance. ICT cannot be seen as a technological fix to what are essentially social and political problems. At the same time, the economics of ICT suggest that developing countries cannot increase their long-term economy-wide productivity if they remain outside the new economy. The role of the government and other institutions cannot be overemphasized, especially in areas of regulatory reform. The continued emphasis on knowledge workers, information literacy, and communications infrastructure vital to participating effectively in the new economy also suggests that developing countries must find a political voice at the global level so that they are not excluded from the multilateral negotiations on the emerging global information society. The ensuing 'good' governance that is expected to emerge from the widespread adoption of ICT must complement global participation. Information and

Communication Technologies (ICTs) have been making considerable impact on the society due to their universal application and appeal. While the businesses and urban communities have seen the positive contribution of ICTs in several dimensions like increases in efficiencies, communications and information on anytime-anywhere basis, the same cannot be said of the rural areas, especially in the context of the developing countries.

A large number of initiatives have been made - and are being made - in different parts of India, to deploy ICTs in a manner that can create an impact on the society. However the successes are few and far between - especially considering the large size of the country and of the population that needs services relevant to their lives. Today, the world has turned to a global village, the world is in the midst a major advance in historical transformation, which is multinational. The transformation is due to the coming of new technologies, economy and social activities, which centres around the twin phenomena of emerging technology. The spread of ICT through telephones, PCs, satellite and optic-fiber cables, the Internet and world-wide-web, has not only provided the efficient means to manage globalization but also led to a maturity of the globalization process itself by fostering global collaboration among the big companies and SMEs. The Internet has given the world a common platform and a kind of horizontality for collaborative endeavour.

1. Information: Globalization will drive the development of products and services with higher information value and be driven by it. 2. Network access and ICT infrastructure: The penetration and growth of Internet access through wire-line or wireless will determine the timing and extent of globalization. 3. Economies of scope: The ability

to alter the traditional value chain with consequent economic advantage will drive the globalization of the industry. 4. Language/Culture: The effective use of the Internet in different languages and cultural settings will be a strong driver for globalization. ICT allows process and product innovation, creates new factors of production helping economic restructuring and transition, and provides a new means of organizing activities through its synergy with other technologies, thus changing the classical view of managing business operations. Decentralization, outsourcing, off-shoring of business activities from research and development to manufacturing and business processes have all been made possible by ICT.

ICT has also facilitated the rapid growth for foreign direct investment (FDI) allowing global business management along the whole supply-chain through effective information and communication networks. While motivation for foreign direct investment (FDI) in developing countries and countries with economies in transition has been mainly of the “resource-seeking” kind, the availability of ICT infrastructure and skills has played an important role for FDI of the “efficiency-seeking” kind, i.e. FDI which is export-oriented based on low (productivity adjusted) labour and other related costs. A strategy, including ICT, to improve labour productivity coupled with maintaining competitive labour cost would greatly help increase the economic growth rates and attract more efficiency-seeking FDI to these countries following the example of some Southeast Asian countries, China, India and the Russian Federation. ICT increase productivity and full advantage of these technologies should be taken for participation in the global business processes for accelerating economic growth.

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