

## **IMPACT OF GLOBALISATION AND LIBERALISATION ON INDIAN ADMINISTRATION**

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### **ABSTRACT**

Globalisation means economic globalisation of economy of a country and it exerts pressure on the government to become more publicly accountable, competitive and responsive to citizens. The UN document defines globalisation as 'increased and intensified flows between countries'. These flows are of goods, services, capital, ideas, information and people, which produce national cross-border integration of a number of economic, social and cultural activities. The primary objective of liberalisation is to free from the restrictions on production, expansion and following of rigid rules and regulations. This paper attempts to examine the impact of globalisation and liberalisation on Indian administration and provide a framework for administration to circumvent the overbearing effect of globalisation in their efforts towards industrialisation, economic growth and development. The attempt has been made in this paper to analyse the impact of globalisation and liberalisation on different aspects of Indian administration and changes introduced at different levels in Indian administration due to globalisation and liberalisation. The study is based on primary as well as on secondary data and it is of descriptive type.

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Globalisation can be seen as one of the most important forces impacting on the economy. According to Brittan<sup>1</sup> globalisation is viewed "as a whirlwind of relentless and disruptive change which leaves governments helpless and leaves a trail of economic, social cultural and environmental problems in its wake." The process of globalisation has given rise to greater competition towards markets and investments. Changes that are sweeping rapidly across the business world have forced businesses and nations to adapt by striving to change old economic behaviours and traditional practices.

Industrial development has become an imperative recourse for underdeveloped economies, in that it must be seen as a key component of their development process. The role of the industrial sector in the newly industrialising countries has further intensified the appeal and the compelling urge for industrialisation for the third world countries. The fundamental convergent proposition on development is the provision of basic needs such as food, education, health, safe drinking water and shelter to the citizenry. It is also widely accepted that this task is better and more appropriately performed by public institutions. This underscores the critical role of the government in the process of economic development. Public expenditure is expected to stimulate the factors of production towards effective utilization of resources, enhancement of the value-adding capacities of the factors of production and thus generating the process of sustainable growth and development of the economy. The role of public expenditure evolves in the course of development since the fiscal machinery is hinged on the changing needs of the economy, which presupposes that expansion in public expenditure reflects in the growth of the economy in consonance with the

varying allocation and distribution needs of the economy. The economic and social progress of any economy depends largely on its government's ability to generate sufficient revenues to finance an expanding programme of essential, non-revenue yielding public services<sup>2</sup>. The government activity or public expenditure version of endogenous growth model argues that various activities of government such as provision of infrastructure services, the protection of property rights and taxation policies could affect the level of baseline technology and thus affects the long-run per capita growth rate. Assuming there is no population growth, the economy can exhibit endogenous growth as a result of contingent pattern of public expenditure. This implies that public services are complementary with the private inputs in the sense that an increase in government expenditure raises the marginal products of labour and capital to individual firms. It is assumed that government purchases a portion of private output, which it uses to provide free public services that is non rival and non excludable. Firms benefit from this and thus maximises profit by equating the wage rate, which equals the after tax marginal product of labour, with the rental rate, which equals the after tax marginal product of capital, which enhances the aggregate output of the economy. Government maximises the representative consumer's inter-temporal utility based on the social optimal growth of the economy. Through the principle of "scale effect", an increase in labour raises the after tax marginal product of capital and expands the social marginal product in a parallel way, which in turn, leads to higher per capita growth rates. However, congestion on government services affects production negatively and retards growth of the overall economy invariably. If a public good is used by more than necessary number of firms, congestion sets in and this leads to inefficiency of the production process. Adequate provision of basic needs of the society through the state-controlled machinery of government motivate private investments, which enhance the productivity of the factors of production and leads to growth and development of the economy. The state has a great responsibility in creating favourable conditions for the interplay of societal forces and directing the economic dispensation towards a path of growth and development. Given that development is a process not an event, the role of the state is continuous and does not end at a given level of economic development even though the scope and nature of such roles may change to reflect the intricate dynamics of society. The key to development is the continuing development of human resources and their involvement in creating and using ideas in the economic, social and political dispensation of the society. The social and material condition of individuals within the society should be paramount in policy articulation and implementation. Thus, development is an inclusive process that entails the aspirations of the people of a given society, who are more familiar with their environment; as such can more appropriately diagnose their problems, articulate their vision and design solution for any identified problem of their society. A co-ordinated institutional motivation for effective utilisation of resources is therefore a fundamental condition for generating a sustainable economic growth path that leads economic development.

The process of globalisation has both positive and negative effects to different category of economies of the world. Competition among firms to get a good a share of the large world market leads to; specialisation and efficiency; better quality products at reduced prices; economies of scale in production; technological and managerial improvements.

World output of goods and services will increase both in quality and quantity which is expected to translate into higher living standards of the world population. Rauch and Trindade<sup>3</sup> established that free information flow across countries leads to increased international substitutability of factors of production with emphasis on labour. However, Verdier and Theonig<sup>4</sup> argued that firms and countries tend to adopt the strategy of defensive-skill-biased innovation to curtail the leapfrogging of their technology by others as a result of

the process of globalisation. Developed economies are the main actors of globalization since it is about the expansion of markets for goods and services. Underdeveloped countries, which are not well equipped to produce goods and services that can withstand competition with others, are not likely to be interested in market expansion. While availability of goods and services produced by firms motivates the need for wider markets, availability of markets in turn, provides impetus for further production of goods and services. Inspiration from economic growth and development analysis implies that effective use of resources, which is the critical stimulant for the process of economic growth and development, is hinged on industrial production.

Globalisation means linking the national economy with world economy as an outcome of new economic policy which has been adopted in 1991, to accelerate the rate of economic growth. The globalization emphasized the removal of restrictions of licensing, quota and tariffs on the export and import of goods across the country. It has brought with it new technologies, quality and quantity of goods, improved and advanced methods of production and increased scope of private sectors, especially the multinational corporations in the country, competitive environment in the national economy as a mean to improve the productivity and efficiency of the system. It has encouraged free mobility of the capital and labour with increase in the openness, growing economic interdependence, deepening economic integration in the world economy. As an outcome of globalization, the Government of India has to minimize the controls over the flow of foreign goods, services, capital, and technology investments and has to adopt liberal policies for adjustment of investment. The governmental interference in economic activities has been declining. The integration of the world market and rapid technological change led to efficiency gains and growth. These in turn increased competition through lower cost and higher market efficiency, higher productivity, lower barriers to entry and new investment opportunities in public sector<sup>5</sup>.

The importance of transparency in the governance has been realized and the measures have been taken to ensure the participation of masses in developmental processes. Globalisation provides a useful mean to develop technologies necessary for the production of goods services that improve the well being of the masses.

World order is rapidly changing due to global structure of production, trade and communication. Indian administration is facing structural changes due to revolution in telecommunication, transportation and formation of global financial markets.

Modern management processes to increase the efficiency of the administration have been emphasized. The principle of hierarchy has been losing its length and got flattened and downsized, and has been eliminating the need for levels of bureaucracy and long chain of commands. The number of employees has been reducing. Traditional administrative processes of file keeping and pushing, secrecy in official work, long durations for completion of work, delays, lengthy processes have been replaced with data processing, automation, transparency, speedy services with the use of data communication networks. Easy access of information about administration helps the people to express their views and opinions. Excessive controls on administrative activities have been replaced with self controls and deregulations<sup>6</sup>.

In Haryana, steps have been taken to make the administration and its functions transparent to the people, many functions of the administration have been updated like PDS and ration card preparation, implementation of National rural employment guarantee, registration of land records, driving license ,pension , national insurance schemes etc. Technological advancement has influenced the process in the administration and has introduced efficiency, time boundness and cost effectiveness.

Globalisation has introduced structural adjustment programmes, government controls have been removed over the flow of goods, services, capital, technology and investments. As a result, government interference in the economic activities has been reducing.

The public choice theory has been emerging as most suitable as against the classical and bureaucratic theories as up to some extent now people are free to choose the alternatives to get the services either from public sector or from private sector. The public –private collaboration is proving today more beneficial in many sectors. Many functions of public sectors are being contracted out and privatized to provide easy and quick services to common masses. Many functions of the bureaucracy are being performed by the private and non-governmental organizations and government is concentrating on developmental functions for the underprivileged.

### **Impact of globalisation**

1. Public-Private partnership
2. Competition in public sector
3. Efficiency
4. Effectiveness
5. Transparency
6. Responsiveness
7. Accountability
8. People participation
9. Business principles
10. Specialisation
11. Use of IT
12. Increase in productivity
13. Decrease in number of employees

### **Impact of liberalisation**

1. Flexibility in policies
2. Increase in production
3. Lessen burden of work on administration
4. Increase in creativity
5. New experiments
6. Loosen the control of administration on economic and commercial activities

Indian administration has undergone sea-change in response to new inputs from the contemporary socio-economic and political scene and under the impact of globalization. Now the competition with private sector has increased. The public sector has to compete with private sectors in case of cost, quality, and span of production otherwise it has to face elimination. Financial matters of our country, may it be related to banks, inflation, share prices, monetary and fiscal policy, budget are being finalized according to international financial market. The scope of public sector is becoming limited so the powers and functions of bureaucracy have been reducing, due to the entry of foreign investors in telecommunication, roads, posts, airports, insurance, health, education and IT sectors.

Job security, one of the major features of Indian administration is being replaced with downsized, reduced number of employees by removing dysfunctional and sick units'. The principles of new public management are tightening its grip on Indian administration to make it fit to face the challenges of globalization. The principle of quality management is being

emphasized with liberalisation to cope with world economy to maintain stability in domestic economy.

The advancements in IT sector have been changing the working environment of each organization. Traditional methods of work have been replaced with modern and advanced one.

The system of secrecy in governmental work has loosened its grip. Due to globalization the use of advanced means of communication, print media and electronic media, have encouraged the common masses to put their opinions and views before the government and administration, which have in turn helped in bringing transparency and exposure of hidden faces of administration. Efforts have been made by the different departments to improve the structural, financial, personnel and managerial positions by introducing structural and policy changes to attract foreign investments, to bring stability in their organizations<sup>7</sup>.

Indian administration is playing the role of motivator and developer to face globalization. It is motivating the unemployed, untrained, and illiterate at the grassroots by encouraging local level organization, NGOs and SHGs to participate in developmental and welfare programmes.

Liberalisation in Indian administration helps to perform the functions in transparent, efficient and in cost effective manner to fulfil the demands of multiplicity of organizations and to compete with them.

Globalisation has been increasing efficiency, productivity and customer orientation in Indian administration and liberalisation has enforced for transparency, ethical values and responsiveness.

Globalisation has encouraged market oriented policies and structure of administration and liberalisation has encouraged flattening of hierarchy, downsizing of bureaucracy, and decentralization of policy formulation<sup>8</sup>.

Globalisation has emphasized on reducing restrictions and controls on economic activities of administration and liberalisation has emphasized self –controls in administration.

Globalisation has brought advanced technologies, IT advancements in administration and liberalisation has brought right to information, e-governance and transparency in administration.

Globalisation has applied cost and time bound techniques to increase the production and liberalisation has facilitated easy access to information and services to citizens.

Globalisation has introduced competition with private sector for quality and price and liberalisation has introduced administrative effectiveness and efficiency in administration.

Globalisation has paved the way for interaction of Indian administration with international economic system and policies and liberalisation has paved the way for coordination and relation of Indian administration with multiplicity of organizations<sup>9</sup>.

Globalisation is posing problems for national democracy because collective decisions are made in context beyond government control and liberalisation is making administration adaptable to different conditions and varied situations.

The global meltdown has also been badly affected Indian market and economy. The political reality is that globalization is not just stalled. It is on the retreat. In an economic downturn of this magnitude, every country is going to give priority to its own economy<sup>10</sup>.

But the interaction and coping of public and private sector has been increasing, which has been proving beneficial to public sector to make it efficient, accountable, transparent and competitive.

### Negative impacts of globalization on Indian administration

1. Reduction in number of jobs.
2. Negative impact of global meltdown on Indian industry.
3. Numbers of frauds are increasing.
4. Numbers of cyber crimes are increasing.
5. Both internal and external security problems have been increasing.

### Conclusion

Attempts to improve the economic conditions through globalization have been made in our country and liberalisation has also paved the way to achieve maximum output, quality and value products but regionalism, communalism and political discretion are the main obstacles in the way to good governance. So the world politics is thinking about globalization retreat. The principles of liberalisation need to be observed by Indian administration to face the challenges of globalization and to maintain its status and significance in our society.

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