



# Globalization and Its Impact on the Political and Economic System in India

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## Abstract

Globalization, defined as the growing interconnectedness of economies, societies, and political systems across the world, has significantly influenced India since the early 1990s. With the introduction of economic liberalization policies in 1991, India became increasingly integrated into the global economy, leading to far-reaching transformations in its political and economic systems. This research examines the multifaceted impact of globalization on India's economy, governance, and policy-making processes. Using a qualitative methodology that draws on secondary data and scholarly works, the study highlights both opportunities and challenges: rapid economic growth, foreign investment, and technological advancement on the one hand, and growing inequality, political dependency, and erosion of policy autonomy on the other. The findings suggest that globalization has been a double-edged sword for India, requiring a balance between economic integration and safeguarding national interests. .

## Keywords

Globalization, Liberalization, Political Economy, India, Governance, Economic Reforms, Policy Autonomy

## Introduction

Globalization has emerged as one of the most defining phenomena of the late 20th and early 21st centuries. For India, the watershed moment came in 1991 when the country faced a severe balance-of-payment crisis, leading to structural reforms and liberalization. These changes opened India's markets to foreign trade, investment, and international institutions, fundamentally altering its political and economic landscape. While globalization has helped India emerge as one of the world's fastest-growing economies, it has also raised questions about social equity, democratic accountability, and sovereignty. Although globalization is generally understood to mean integration of the economy of the country with the world economy, it is a complex phenomenon. It is an outcome of the set of various policies that are aimed at transforming the world towards greater interdependence and integration. It involves creation of networks and activities transcending economic, social and geographical boundaries. We know that India is a developing Country all the development financial services Its Included, accountancy, banking services, music recording, film editing, book transcription, clinical advice or even teaching are being outsourced by companies in developed countries to India. With the help of modern telecommunication links including the Internet, the text, voice and visual data in respect of these services is digitized and transmitted in real time over continents and national boundaries. Most multinational corporations, and even small companies, are outsourcing their services to India where they can. Globalization is the modern phrase that has captivated the globe ever since post - cold war era, the disintegration of the former Soviet Union, and the worldwide tendency forward towards the shaft rotation in the 1990s. Unlike how today's established economies evolved and gained traction in the history, India's major reform measures (along with those of several other emerging economies) came after a fiscal and foreign currency crisis that put the country on the point of defaulting on its foreign debts. As a result, Indian globalization is a product of both internal degeneration and external coercion. In the post-globalization period, the consequences of globalization on the Indian

economy are abundantly obvious in the foreign sector: currency exchange reserves, international commerce, and international capital influx.

## Objectives

1. To analyze the economic impact of globalization on India's growth, trade, and investment.
2. To examine the political implications of globalization for India's governance and policy-making.
3. To identify the challenges and opportunities globalization presents for India's future.
4. To provide a balanced discussion on how India can harness globalization while safeguarding national interests.

## Methodology

This research is based on qualitative analysis of secondary sources, including academic journals, government reports, policy papers, and data from international organizations such as the IMF, World Bank, and WTO. The study uses an interdisciplinary approach, drawing insights from political science, economics, and sociology. Comparative analysis with other emerging economies is included to contextualize India's experience.

## Analysis

"India did not truly begin its genuine globalization movement till 1991. Prior to 1991, India was mostly state-run, with public sector companies (PSEs) occupying the top positions. The intended objectives guided the regulated pricing, currency values, and investments". India's macroeconomic strategies were deemed orthodox and prudent until the 1970s and 1980s. The central government's current income surpassed its current expenses, resulting in a surplus that was used to partially fund the capital account shortfall. Current revenue surpluses transformed into losses in the early 1980s as a result of slack budgetary policy. The expanding disparity between governmental income and expenses led to a rising fiscal deficits, that had to be filled by lending at residence.<sup>3</sup>

Looking back on Indian history, we can see that globalization is not really a new occurrence for the Indian economy. The Indus civilization's economy was among the most globalised at the era. Ancient Hindu epics like the Ramayana and Mahabharata show that cross-national commerce transactions existed back then. Some places specialized in the manufacturing of copper, while others specialized in the creation of beads and textiles, all for export. India's exports were once again massive during the Gupta Empire.<sup>4</sup> Despite the fact that little gold is native to India, it is regarded as the "golden bird." India's historical riches may be attributed in large part to our decision to pursue an outward-oriented trade strategy. Globalisation is in our veins, so to speak.

However, there are some significant differences between the previous and present eras of globalization. Globalization nowadays has a considerably greater scope and depth. The enormous number of individuals and nations that may benefit from the globalised commerce and informational connections is also novel. Because of the introduction of the railway, the ship, and the car, the preceding period of globalization was based on lower transportation costs. Computer chips, satellite, optical fibers, and the Web are driving today's globalization.

## Economic Impact

- **Growth and Trade Expansion:** India's GDP growth accelerated post-1991, with exports and imports rising significantly. Foreign Direct Investment (FDI) inflows increased, contributing to infrastructure, technology, and services sector expansion.
- **Sectoral Transformation:** Services, especially IT and BPO, became the backbone of India's integration into the global economy. Meanwhile, manufacturing faced competitive pressures, while agriculture struggled with global price volatility.
- **Employment and Inequality:** While globalization generated new opportunities, especially in urban areas, it also widened the rural-urban divide and created disparities in access to resources.

## Political Impact

- **Policy Reorientation:** Globalization compelled India to align policies with international norms on trade, investment, and intellectual property rights.

- Shift in Governance: Decision-making increasingly reflected global institutions' influence, reducing policy autonomy in certain areas such as subsidies, tariffs, and environmental standards.
- Rise of Civil Society and Regional Politics: Globalization fostered activism around labor rights, environment, and social justice, while also fueling regional aspirations and identity politics.

## Discussion

Globalization's impact on India has been complex. On the one hand, it positioned India as a key player in the global economy, enabling rapid modernization and technological progress. On the other hand, it has exposed vulnerabilities, including dependence on global markets, susceptibility to external shocks (e.g., 2008 financial crisis), and challenges to democratic accountability. Politically, globalization has enhanced India's international stature but constrained domestic policy flexibility. A critical question is whether India can leverage globalization for inclusive development while minimizing its negative spillovers. The Indian government implemented a number of changes in 1991 to liberalize and globalize the economy. These economic changes are moving the country closer to an economic system and globalization. Those economic transformation programmers' aimed to connect India's economic growth with the global economy.

In India, as a consequence of globalization, the process of removing trade barriers began in 1991, and the government announced trade barrier reductions every year since then. It is suggested that this would allow for a freer movement of commodities, capital, and technology, and that globalization will therefore become a driving factor for economic progress. It also provides access to new markets and technological advancements.

The Indian government has been pushed to embrace globalization for the reasons listed:

- As a result of the public sector's bad performance. Huge resources were being invested on PSUs, but they were not yielding a sufficient return, and a large number of PSUs were falling ill.
- The government's foreign currency reserves were at an all-time low due to the Gulf War and bad export performance, as well as the nation was also on the verge of defaulting on international loan repayment.
- In order to achieve a better growth rate, more investment was required in various areas of the economy. The amount of money invested domestically was insufficient.
- Another factor for moving toward an integrated market economy is the collapse of communist nations' regimes.
- In the early 1990s, our economy was hit by a massive economic downturn. The Indian economy has been hit by a balance-of-payments crises, budgetary imbalances, and inflationary pressures.

## Conclusion

Globalization has undeniably reshaped India's political and economic systems. It brought unprecedented growth, investment, and international recognition, while simultaneously intensifying inequality, social unrest, and policy constraints. For the future, India must adopt a balanced strategy: embracing globalization where it strengthens growth and innovation, but resisting it where it undermines social justice, self-reliance, and sovereignty. The challenge lies not in rejecting globalization but in managing it wisely, aligning it with national priorities and inclusive development. Globalization has a wide range of consequences for a country's economy. Interdependence and rivalry between countries on the international market have increased as a result of globalization. Interdependence reflects this in terms of trade in products and services, as well as capital mobility. As a result, domestic economic trends are influenced by factors other than domestic market and economic circumstances. Domestic and foreign policies, as well as economic situations, have an impact on them. As a result, a globalizing industry cannot manage to disregard the potential actions and responses of policies and events in the entire world while creating and assessing its domestic policy. This limited the government's policy options, implying a degree of policy independence in objective evaluation.

Globalisation, on the other hand, has not helped India's industrial and agricultural industries to develop. As a result, whatever progress the Indian economy has achieved in the post-globalization era appears to be a failure when contrasted to other emerging countries such as China. As a result, the recent practice of globalization has taught India that it should carefully chose a policy mix that allows it to seize the potential while avoiding the disadvantages. However, in order to get the greatest potential benefits from globalization, the Indian industry must overcome a number of obstacles, including the following:

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