

Impact of Globalization on Indian Economy, Politics and Society, its Transformation and Future Aspects

Sumanta Bhattacharya^{1*}, Bhavneet Kaur Sachdev², Arkadyuti Seth³

¹Research Scholar and Policy Analyst, Department of Development Studies, Maulana Abul Kalam Azad University of Technology, Howrah, India

²Student, Department of Development Studies, Calcutta University, Howrah, India

³Student, Department of Forensic Science, Calcutta University, Kolkata, India

Abstract: Globalization exists in world from the ancient time. However, its pattern changes as time passes. Today, globalization is one of the important phenomena in both national and international politics as it affects our daily life significantly due to easy and rapid flow of information across the border of a nation. The establishment of several international organizations after World War II and their increasing importance in international geopolitics facilitates the process of neo liberal globalization which further accelerates after the disintegration of communist USSR followed by the emergence of capitalist USA as sole superpower. This paper analyses the positive and negative impact of the modern form of globalization on Indian economy based on the data collected from various sources. Thereafter, the role of states, international geopolitics and modern day social structure are been analyzed in order to recommend some steps in order to eliminate the demerits under current scenario especially based on Indian economy and society.

Keywords: Globalization, role of states, international organization, economy, society, Neo liberal.

1. Introduction

Globalisation is the interaction among people from different parts of the world. Though the term 'Globalisation' started to popularise after World War II the interaction among the people from different parts of the world exists since the time of the development of ancient civilizations in around 3000 B.C. The type of interactions has been transformed as the time passes. Initially it was only commercial during the time of ancient civilization when the agricultural activities were initiated. However, gradually it became cultural as the people from certain races started to capture the foreign land due to shortage of spaces for the growing population. In the 18th century, the commercial interaction among people took a new dimension due to renaissance in Europe followed by revolutionary scientific invention leading to the industrial revolution. This incident led to the development of capitalistic ideas which

facilitated the path of western colonialism i.e. the development of colonies in Asia, Africa and South America by leading capitalistic western powers facilitated by the discovery of new sea routes in order to fulfil their economic interests resulted in the deep interactions among the people belongs to each continent of world. The relationship between the European states had been affected due to World War I in the second decade of 20th Century. However, after World War II followed by the decolonisation by western powers facilitated the development of neo liberal globalisation led by USA and pro USA western countries which was accelerated after the end of cold war in 1991 due to participation of more states in free trade. Now-a-days, globalisation is mainly commercial in nature which also facilitates cultural and social globalisation rapidly. India, becoming an important member of developing nations transformed economically, culturally and socially in a rapid manner as time passes.

2. Literature Review

The initiation of globalisation is a debatable concept. Some scholars indicate the ancient civilisation as the origin of globalisation whereas some scholars designate industrial revolution as the origin. According to many scholars, globalisation actually started after World War II which reached at its zenith after cold war. However, it is evident that the concept of modern globalisation which is predominately economic in nature had been developed after World War II in the backdrop of decolonisation, the history of interaction among people in ancient and medieval era cannot be ignored.

3. Factors that facilitate Globalization

1. *Science and Technology:* The new scientific discoveries leading to the technological development facilitates the speedy transformation and easy

communication among the people from different parts of the world. Initially, in ancient era the communication was possible only through land route by foot, chariot, cart or other similar type vehicles which made the communication a time taking process. Gradually, after industrial revolution discovery of new sea routes made the communication comparatively easier which also facilitated the way of the spread of colonialism as almost every European power came to Asia, Africa, Australia and America through sea routes. Thereafter, discovery of aeroplanes, jet planes opened a new speedy route of communication through air. The discovery of telephone and telegraph also made the process of interaction among people more feasible. After that, today's era of Information Technology arrives due to the rapid development in Space Technology along with the satellite and networking system. Now, we are able to get the news of any part of the world more feasibly through internet and social media. That is why; it is evident that today we are living in a globalised world due to rapid technological development.

2. *Popularization of liberal ideas:* After World War II and decolonization, almost all states accepted the idea of liberalization and democracy instead of military rule, monarchy and dictatorship which was accelerated after the disintegration of USSR followed by the end of cold war in 1991. The democratic values and idea of human rights developed within every nation facilitates the liberalization of economy which ultimately supports the process of globalization.
3. *Rise of capitalism:* After industrial revolution the production of goods was increasing rapidly which was demanding the access of more markets. Under this circumstance, the idea of capitalism had been developed in industrialized European countries which ultimately led to the establishment of new colonies in Asia, Africa, South America and Australia by European powers. Though after World War II the economic crisis in Europe and long standing anti-colonialist freedom struggle in different colonies led to the independence of colonies from their erstwhile European masters, the idea of neo-liberalism started spreading under the leadership of USA which basically was the modified version of capitalism that facilitated the process of privatization and globalization by minimizing the role of states in trade and commerce. Neo-liberal capitalism makes the whole world a single market through globalization facilitating easy mobilization of capitals across the border of a nation. Now international trade has been controlled by international organizations like WTO, IMF, World Bank etc.

A. Globalisation may be categorised into three parts according to the mode of interaction among the people and its impact

Economic Globalisation: Economic Globalisation is the interaction among people through trade and commerce or other economic purpose. This type of globalisation had been started in ancient era through the import and export of different metals and other important goods. It is a dominating concept in today's geopolitical scenario which is facilitated by the liberalisation of international trade. The international organisations like International Monetary Fund, World Bank, World Trade Organization etc. has been established after World War II in order to promote the rationalisation of customs duty and tariff to facilitate free trade across the border of states.

Political Globalisation: Political Globalisation is the interaction among the people for political purpose. It mainly deals with the diplomatic relationship among different states. In India, the idea of political globalisation had been originated from 'Arthashastra', a book of politics, economy and diplomacy written by Chanakya, Chief Minister in the court of King Chandragupta Maurya who was the founder of Mauryan dynasty in ancient India at about 325 B.C. It had also been developed in European country by various scholars like Rousseau, Machiavelli, Adam Smith, Karl Marx etc.

Social Globalisation: Social Globalisation is the interaction among the people belongs to different societies which also facilitate cultural exchanges. This type of interaction existed since the ancient times when people of one race attempted to capture foreign land in order to settle their rising population. Gradually, the cultural exchange among people had been developed through the development of different philosophies and ideologies throughout the world and their propagation. Now-a-days, due to the rapid progress in technology, the smooth flow of information has been facilitated across the border which accelerated the process of social globalisation. The invention of internet followed by the rapid development of information technology reaches the globalisation at its zenith. The economic, political and social globalisation is closely interconnected to each other. Economic and political interests are the source of interaction among people which further developed through cultural and social interaction.

B. Effect of globalisation: Globalisation influences the economy, politics and society of the world significantly

1. *Impact of globalisation on economy:* Globalisation accelerates the economic growth of a nation by facilitating foreign investment leading to the increase of competition in the economy and up gradation of skill. It also influences technological development and innovation like development and continuous growth in space technology, information technology, data analytics, electronics and telecommunication etc. However, the egalitarian growth of economy and inequality is still a challenge which is somewhere more prevalent due to globalisation. The poverty and unemployment in developing nations is increasing due to unrestricted supply of goods and services from

developed nations. On the other hand, the developed goods and services are not affordable for a significant section of the society.

2. *Impact of globalisation on politics:* The globalisation in 20th and 21st century makes the role of states negligible as it is influenced by free international trade and commerce. The various international organizations like United Nations, International Monetary Fund (IMF), World Bank, World Trade Organization (WTO) etc. which were established to foster the process of globalisation became geopolitically more important than states. The regulations framed by IMF, World Bank and WTO imposes moral obligation on its member states to rationalize their economic policy, reduce restriction on trade and tariff in order to facilitate globalisation leading to the effect on sovereignty of the states.
3. *Impact of globalisation on society:* Globalisation facilitates the free and smooth flow of information across the border of a nation leading to the import of foreign culture rapidly. People from one end of the globe can easily be familiar with the society and culture of the people from other end through social media, internet and speedy communication system. The economic globalisation facilitates the trade of foreign goods and services like dress, machines, movies, song etc. through which foreign culture can also be imported rapidly. However, the easy accessibility of foreign goods and services threatens the folk and regional culture and fashion of the society.

1) *Objectives*

The objectives of this research paper are:

1. To analyses the effect of globalization on Indian economy, politics and society
2. To recommend some policies that may be taken in order to eliminate the drawbacks of globalization under current geopolitical scenario.

4. Methodology

This research is based on the analysis of secondary data collected from various journals, papers and reliable websites. The recommendations given here are on the basis of the analysis of the data collected.

5. Findings

We have collected some data from the reliable sources in order to understand the effect of globalisation on India. It is evident that, being one of the most important members of developing nations, globalisation affected the economy, society and politics of India significantly. Globalisation became prevalent in Indian economy after the introduction of New Economic Policy in 1991 by Government of India under its 8th 5-year plan which liberalised Indian economy.

Figure 1 depicts the share of merchandise trade of India and other nations from 1986 to 2016. It indicates that after the end of cold war in 1991 the trade among different nations increases

rapidly due to the liberalisation of economy all over the world. India is also not the exception due to the adoption of New Economic Policy in 1991 by the Government of India facilitating liberalisation and globalisation of Indian economy.



Fig. 1. The rise and fall of Globalization

Figure 2 depicts the change in GDP of Indian economy from 1980 to 2014 indicating the effect of liberalisation, privatisation and globalisation led by New Economic Policy, 1991. It is evident that, Indian economy experiences growth due to its liberalisation. However, there is some evidences of reduction in GDP also. Moreover, the trend of Indian economy is fluctuating in nature even after its liberalisation.

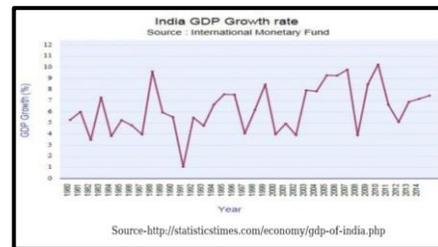


Fig. 2. India GDP Growth rate

Due to liberalisation of Indian economy in 1991, the restriction on foreign investment has been relaxed which facilitates the rapid increase of Foreign Direct Investment (FDI) after 2005 and it is continuously increasing.

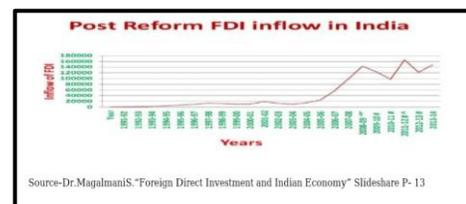


Fig. 3. FDI inflow in India

Figure 4 indicates that the Per Capita Income of India is also increasing from 2004, but the economy also faces inflation and after adjusting the inflation factor, the rate of increase of per capita income becomes decreases.



Fig. 4. Percapita income

Figure 5 depicts that the rate of unemployment after liberalisation of Indian economy. Due to the easy availability and excess of human resource in India like other South Asian countries, India became one of the major exporters of human resource to the foreign companies which causes the increase of the foreign exchange reserve of India. Therefore, the rate of unemployment in India affects largely due to liberalisation, privatisation and globalisation of Indian economy. However, it fluctuates initially due to lack of empowerment among Indian citizens and less availability of skill required to cope up with the global scenario. Gradually, due to development of professional education leading to the development of professional skills among Indian accelerates the rate of employment in Indian society especially in service sector.

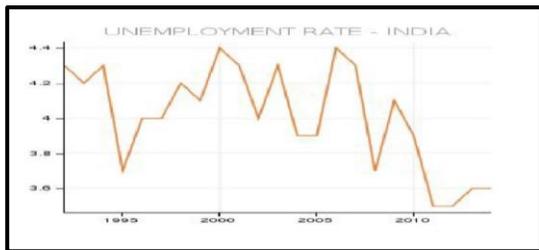


Fig. 5. Unemployment rate

Figure 6 depicts that the economy of India faces a drastic change due to liberalisation. Indian economy was initially agrarian in nature due to its major contribution in GDP whereas liberalisation leads to the rapid foreign investment resulting in the involvement of more people in service sector. As a result, the share of service sector has been increasing whereas the same of agricultural sector has been decreasing continuously. On the other hand, the share of industrial sector is also increasing but at a slower pace in comparison with the service sector. Hence, it can be inferred that, globalisation makes service sector as the major contributor in Indian economy.

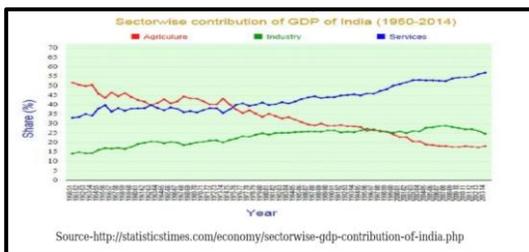


Fig. 6. GDP of India

As India is one of the most populous countries of world, it acts as a potential source of human resource for the developed countries in Europe, North America, Australia, South East Asia and Gulf region. The process of immigration of Indians to those foreign countries has been increasing continuously as indicated in Figure 7 and Figure 8 after the liberalisation and globalisation of Indian economy after 1991. Figure 7 depicts the migration of Indian labour from 1999 to 2007 whereas Figure 8 depicts the increasing number of foreign born ethnic Indians since 1970 to 2008 and both of the graph shows high spike after

2000 which corroborates the effect of globalisation on Indian diasporas.

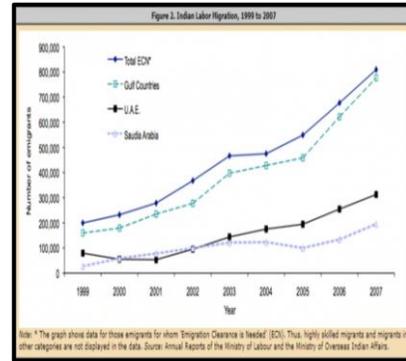


Fig. 7. Indian labor migration

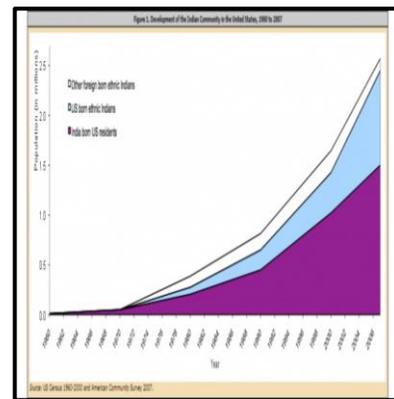


Fig. 8. Development of India

Figure 9 indicates the rapid increase in income inequality in India from 1980 in comparison with other parts of world which becomes more prominent after 2000 when globalisation starts to play an important role in Indian economy. Hence, the role of globalisation and liberalisation in broadening the inequality in India cannot be ignored.

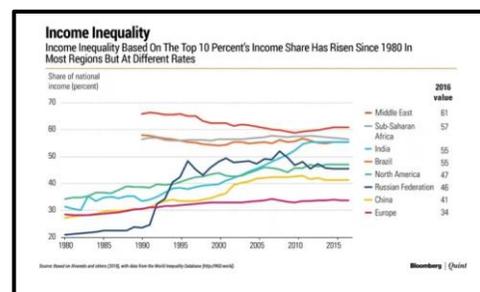


Fig. 9. Income inequality

Globalisation causes the establishment of more industries in India due to rapid flow of foreign capital. Large scale industrialisation causes environmental degradation leading to the increased emission of poisonous gases, contamination of essential natural resources like water and degradation of forests. The emission of carbon dioxide has been increasing rapidly after 2000 as depicted in Figure 10 whereas the forest cover in India is 21.55% as per Figure 11 which is an indication of rapid forest degradation.

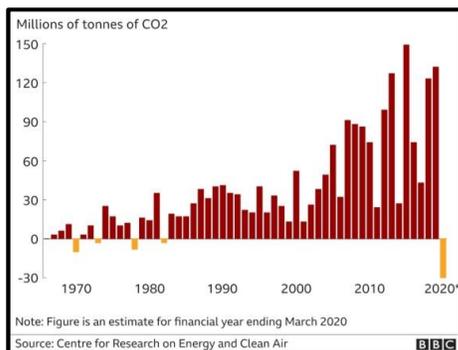
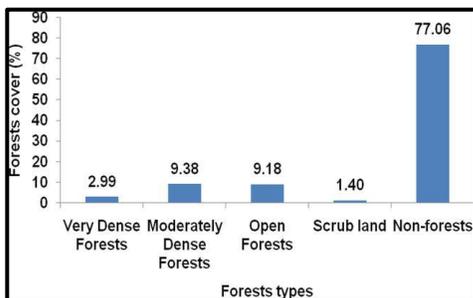
Fig. 10. Millions of tons of CO₂

Fig. 11. Forest types

1) Way forward

From the above statistical data, it can be inferred that globalization results in the rapid economic growth and boosting of foreign trade in India. However, the increase in inequality in economic status, rapid environmental degradation, contamination of natural resources, extinction of regional culture and social customs, rapid demographic change are some major challenges of Indian society that are prevalent due to continuous expansion of globalization and liberalization of economy. Some steps that may be taken in order to facilitate sustainable development of Indian society in this globalized world are furnished hereunder:

1. Increased participation of state in economic activities: Today's neo liberal globalization minimizes the role of states by imposing moral obligation on the states to adopt the policy in favour of free trade and commerce. It favours market economy and minimal participation of states which ultimately results in the expansion of wealth for people belongs to the economically stronger section i.e. people who have ample amount of capital. As a result, the rich persons become richer whereas the poor persons become poorer resulted in the broadening of inequality in the society. In this context, the state should start participating in the globalisation led economic activities. The state to state interaction should be promoted in order to expand foreign trade instead of multi sectoral interaction leading to the outreach of the goods prepared by the economically weaker sections of the society.
2. Infrastructural development at grass root level: Infrastructure at grass root level in rural areas needs to be improved in order to facilitate the outreach of the products manufactured there in global market. The

role of gram panchayat, municipality, district board and other local authorities should be expanded in this regard with providing more financial independence.

3. Development without affecting environment: It is evident that the, rapid industrialisation and urbanisation led by globalisation resulted in the large scale destruction of natural resources, the increase of emission of greenhouse gases resulting in global warming and climate change. Therefore, the development should be conducted in a sustainable manner without affecting the environment. The control of the emission of poisonous gases from the industry, enforcement of waste management policy in industry and urban areas, large scale tree plantation, the development of green technology and green industrialization etc. are some steps that may be adopted in order to direct the process of development and globalization in eco-friendly and sustainable way.
4. Promotion of local industries: The central and state government jointly should take necessary steps in order to promote the local industries in global environment to cope up the village industry with the increasing global competition. It will also make the rural people of India more skilled, capable and empower leading to the development in rural areas.
5. Promotion of regional cultures: India, being a country of diversity gave the birth of widely diversified cultural heritage along each and every part of the society. The invasion of economically enriched western culture through the path of globalization threatens the existence of this cultural heritage of India especially the village based folk cultures due to lack of capital investment and outreach. The strong co-operation of central, state and local government is necessary in order to promote this cultural heritage in global platform in order to compete with the economically strong western culture.
6. Rationalization of foreign investment: Globalization facilitates the unlimited foreign investment due to free trade and commerce which affected the regional small and marginal industries. The active participation of state is thereby highly recommended in order to rationalize the foreign investment which will boost the development of regional industries and infrastructure. The import of technology should be favourable in place of direct dumping of goods and services through foreign direct investment.

6. Conclusion

Globalisation is a good for an economy as it creates more employment, supports scientific and technological innovation and boosts economic growth. However, the neo liberal globalisation led by USA is highly favourable towards the developed nations of Europe and North America who have ample amount of capitals. Apart from that, due to minimisation of the role of states the developing nations of Asia, Africa and Latin America became economically dependent on the

developed nations which ultimately threaten the sovereignty and existence of developing nations and their ancient culture. India, an important member of developing nation of South Asia, is vulnerable towards this issue as its economy becomes highly dependent upon the capital inflow from USA, China, Japan, Gulf countries and other European countries. According to some scholars, this process of globalisation is also known as the neo colonialism or dollar colonialism due to the economic dependence of developing nations on the developed nations. The active participation of state governments as public welfare social institution in the process of globalisation and strong interaction among the nations is highly recommended in this regard especially for the developing nations. The collaboration of developing nations against the USA led neo liberal globalisation needs to be developed. The establishment of BRICS (Collaboration of Brazil, Russia, India, China and South Africa), BIMSTEC (Bay of Bengal Initiative for Multi Sectoral and Technical Co-operation: A collaboration of the South and South East Asian nations depending upon Bay of Bengal), SAARC (South Asian Association for Regional Co-operation: An organisation of South Asian states), ASEAN (Association of South East Asian Nations: A collaboration of South East Asian nations) etc. are some attempts of the co-operation of nations bypassing the USA and European states. Apart from that, financial organisations like New Development Bank, Asian Development Bank are going to be the alternative of World Bank, IMF and WTO for the Asian and African nations. The aim of globalisation was to minimise the conflict between

the nations in order to decrease the possibility of future war which will only be successful by the equal participation of each and every nation leading to the equitable development.

References

- [1] Akram Ch., M; Faheem, M. A.; Bin Dost, M. K.; Abdullah, I, Globalization and its impact on World Economic Development, International Journal of Business and Social Science, vol. 2, pp. 291-297, 2011.
- [2] Reeshan, A.; Hassan, Z. (2017), Impact of Globalization on Economic Growth among developing countries, International Journal of Accounting and Business Management, vol. 5, pp. 164-179, 2017.
- [3] Awdel, Z. M.; Odel, N. M.; Saadi, W. F. (2020), The rise of the globalization and its effect on the autonomy of state and Political Economy, Journal of critical reviews, vol. 7, no. 6, pp. 998-1000.
- [4] Patjoshi, P. K, A study on globalization and its impact on Indian economy, ResearchGate, 2019.
- [5] Lee, E.; Vivarelli, M. (2006), The social impact of globalization in the developing countries, IZA Discussion Paper No. 1925
- [6] Agarwal, R. (2014), Globalization and its effect on India, ND Economic Affairs, vol. 59, pp. 797-803.
- [7] Sheffield, J.; Korotayed, A.; Grinin, L., Globalization Yesterday, Today and Tomorrow, Emergent Publications
- [8] Brixiova, Z.; Treigiene, D, Globalization and growth in recent research, ResearchGate, 2011.
- [9] Mir, U. R.; Hassan, S. M; Qadri, M. M. (2014), Understanding globalization and its future: an analysis, Pakistan Journal of Social Sciences, vol. 34, no. 2, pp. 607-624.
- [10] Nayyar, D. (2006), Development through Globalization, United Nations University- Wold Institute for Development Education and Research
- [11] Upadhyay, R. K. (2014), Socio-cultural impact of globalization in India, The Discussant Journal of Centre for Reforms, Development and Justice, vol. 2, no. 3, pp. 65-72.