INTERNATIONAL RESEARCH JOURNAL OF HUMANITIES AND INTERDISCIPLINARY STUDIES
(Peer-reviewed, Refereed, Indexed & Open Access Journal)
DOI : 03.2021-11278686 ISSN : 2582-8568 IMPACT FACTOR : 8.031 (SJIF 2025)

Impact of Globalization on Developing Countries

Tanya Garg
PG Scholar,
Amity Institute of Social Sciences,
Amity University,
Noida (Uttar Pradesh, India)

Dr. Jyotika Tekchandani
Assistant Professor-III
Amity Institute of Social Sciences,
Amity University,
Noida (Uttar Pradesh, India)

DOI No. 03.2021-11278686 **DOI Link ::** https://doi-ds.org/doilink/03.2025-37715894/IRJHIS2503015

ABSTRACT:

The term "globalization" describes the growing interdependence and connectivity of the world's economies, cultures, and people as a result of developments in technology, communication, and trade. India's economy, society, culture, and politics have all been significantly impacted by globalization. India's economy has benefited from increased foreign direct investment (FDI), simpler access to global markets, and rapid growth in sectors like manufacturing, services, and information technology. These lead to increased GDP growth rates, better job creation, and the expansion of the middle class. However, India has experienced some adverse consequences from globalization. Some regions and demographic groups have benefited more than others, despite the fact that it has reduced poverty and increased income inequality.

Local sectors, especially those in agriculture and small-scale manufacturing, have found it difficult to compete with cheaper imports as a result of the flood of goods and services from around the world. Furthermore, the cultural effects of globalization have caused Western ideals and customs to proliferate, which has caused traditional cultural identities in some regions of India to erode.

Globalization has forced India to assume a central role in international organizations and alliances, but it has also raised issues with sovereignty and the country's ability to regulate external influences. Despite the opportunities that globalization offers, India must continue to address domestic inequalities like unemployment, poverty, and inequality in order to ensure that the benefits are distributed more fairly.

KEYWORDS: *Globalization, Interdependence, Interconnectivity, Economy, Culture, Politics, Foreign Direct Investment (FDI), International markets, Manufacturing sector, Service sector, Information technology (IT),GDP growth, Middle class growth, Income disparity, Poverty reduction, Small-scale industries, Agriculture sector, Sovereignty, International organizations, Economic inequality and Unemployment.*

INTRODUCTION:

Globalization is the term used to describe the integration of global political, cultural, and economic processes. The world has shrunk to the size of a village, with national borders no longer existing. "The history of globalization dates back to the second half of the twentieth century, when the development of transportation and communication constraining for economic activity," according to Economic Globalization in Developing Countries (2002). Globalization is becoming more and more significant in developing nations. It is evident that globalization has certain benefits, including improved economic processes, social and environmental aspects, political ramifications, technological advancements, and health care systems. It significantly improves our everyday lives. The increased opportunities brought about by globalization are advantageous to developing nations.

For example, technology transfer can lead to improved living standards, increased productivity, increased access to markets in developed nations, and development. However, it is untrue to say that this phenomenon only has beneficial effects. Because new problems brought about by globalization include worsening environmental conditions, erratic financial and commercial markets, and rising levels of inequality both within and between countries.

This study evaluates the benefits and drawbacks of globalization for developing nations using the following ratios:

1. The study of trade and economic processes
2. Health and Education Systems
3. The Influence of Culture

METHODOLOGY:

With a particular emphasis on India's distinct socio-economic, political, and cultural context, this methodology for examining the effects of globalization on India can be organized similarly to a general approach. Given its substantial contribution to the global economy and the wide range of societal impacts of globalization, India, a developing nation, makes an interesting case study.

LITERATURE REVIEW:

The increasing interdependence of economies, societies, and cultures as a result of cross-border trade in products, services, knowledge, and ideas is known as globalization. The process of globalization has accelerated in recent decades, especially as a result of trade liberalization, technological advancements, and the removal of geographical barriers. Even though globalization is frequently viewed as a means of achieving economic success, developing nations may experience both advantages and disadvantages from it. India offers a fascinating case study of how globalization affects a developing nation because it has one of the biggest and fastest-growing economies in the world. On the plus side, many developing nations have seen economic growth and development as a result of globalization.

Studies show that trade liberalization has increased exports and foreign direct investment (FDI), which has increased economic output and created jobs (Krugman, 1997). Furthermore, technology transfer and access to cutting-edge technologies have been made easier by globalization, which has increased productivity and stimulated innovation (Dunning, 2001). Additionally, it has been acknowledged for improving living standards by expanding access to information, goods, and services (Greiff, 2005).

Economic growth is one of the most talked-about advantages of globalization for developing nations. Foreign direct investment (FDI), exports, and GDP have all significantly increased in India as a result of economic liberalization that began in the early 1990s. After liberalization, the Indian economy expanded at an average annual rate of 6–7%, according to Bajpai and Sachs (2000).

Foreign investment has accelerated industrialization, technology transfer, and infrastructure development. Additionally, India's entry into the world market has created new opportunities for trade and business, giving Indian companies access to international markets. Increased productivity and innovation have resulted from the opening of the Indian economy, which has also given domestic industries access to global competition. According to Bajpai (2002), industries like textiles, pharmaceuticals, and information technology (IT) have prospered in particular, positioning India as a major player on the international stage.

Indian society and culture have been profoundly impacted by globalization. On the one hand, increased cultural diversity and interchange have resulted from the flow of global ideas, goods, and media.

Many Indians' lifestyle choices, from eating habits to fashion, have been impacted by the rise of Western consumer culture, particularly in urban areas. The world has become more interconnected as a result of the globalization of information technology and increased awareness of global issues.

Globalization's political effects in India have generated a lot of discussion. Globalization has increased economic liberalization and political stability, but it has also sparked questions about national governments' sovereignty. According to some academics, globalization has boosted the power of multinational firms and international financial institutions in determining domestic policies in India, sometimes at the expense of regional interests (Reddy, 2004).

Which factors are contributing to globalization?

1) Technology: Due to the social media phenomenon, distance is no longer an issue in the modern world. Due to India's technological integration, specialized skills and jobs lacking decision-making abilities have been replaced by more defined, accountable roles that require new abilities like communication, analysis, numeracy, and interaction.

2) LPG Reforms: India's increased economic freedom as a result of the 1991 reforms has improved India's relations with other countries.

3) Faster Transportation: Traveling abroad is made easier by improved transportation. For example, air travel has rapidly grown, enabling greater international movement of people and goods.

4) WTO rise: Since the WTO's founding in 1994, tariffs and non-tariff trade barriers have decreased globally. Furthermore, it led to an increase in free trade agreements among various countries.

5) Greater capital mobility: In general, capital barriers have lowered over the last few decades, making it easier for capital to flow between economies. Businesses now find it simpler to obtain financing as a result. It has also increased the connectivity of the global financial markets.

6) Growth of MNCs: Because multinational corporations operate in many different countries, best practices have spread. By sourcing resources from around the world and promoting their goods in international markets, MNCs strengthen local ties.

These elements have contributed to economic liberalization and globalization, making the world a "global village." Due to increased cross-cultural contact, eating habits, fashion, lifestyles, and opinions have all become more globalized.

Globalization and India:

Developed countries have been putting pressure on developing countries to liberalize trade and give corporate regulations more flexibility in an attempt to provide multinational corporations with fair access to their home markets. The World Bank and the International Monetary Fund (IMF) provided them with support in this endeavor. Liberalization started to make its mark on the uncharted territories of developing nations like India by lowering excise taxes on electronic goods within a predetermined time frame. The Indian government also liberalized trade and investment under pressure from the World Commerce Organization. In India, multinational corporations were able to operate on an even playing field thanks to gradual reductions in import taxes. As a result, India now has access to new goods, technologies, and business opportunities thanks to globalization.

Not with standing India's bureaucracy, lack of infrastructure, and ambiguous policy framework, which have a detrimental impact on MNC operations there, MNCs are paying close attention to the country and making significant investments to set up R&D centers there. India has outperformed other developing countries in terms of IT, business processing, and R&D investments. Indian social and cultural norms have been impacted by globalization in both positive and negative ways.

DIMENSIONS OF GLOBALIZATION:

"Globalisation" is a broad term that encompasses more than just the expansion of the economy. Nevertheless, under globalization, the increasing economic integration of the world's economies has many different aspects. All of these powerful subgroups of economic actors whose operations have a global reach depend on multinational or transnational corporations. One could contend that there are three important "globalizations" that are included in contemporary globalization.

Globalization of Financial Markets:

These include the globalization of financial markets, which has been growing since the early

1990s and is widely recognized as the hallmark of modern globalization. The two types of capital flows that occur globally are differentiated by their economic significance and purpose. One kind of capital that makes investments in financial assets with the goal of making money is portfolio capital. Financial assets are claims on the organizations that use them to raise funds. Examples of these include government bonds, company equity shares, and loans.

Both primary and secondary purchases of these assets—which necessitate financial market activity—can be made from the issuing company at the time of issuance or, more commonly, from an existing holder. Owning financial assets can result in gains if you sell them for more money than you originally paid for them (capital gains) or if you receive payments from the people who issued them (interest, dividends, etc.) in return for a quick transfer of money. Billions of dollars' worth of portfolio capital are freely moving around the world in the era of globalization in pursuit of profitable investments in various financial markets countries.

Globalization of Goods and Services:

The internationalization of markets for goods and services, or the trend toward a single worldwide market served by a group of shared businesses, is the second aspect of globalization. Naturally, transnational corporations are at the forefront of this, but trade and foreign direct investment play different roles in different product categories. FDI drives the process of market integration for non-tradables, or goods that cannot be traded between countries and include a sizable percentage of services.

Transnational corporations have expanded their product production capabilities globally through such FDI. As a result, Vodafone offers telecom services in both India and Europe. Therefore, cross-border trade flows have a much greater role to play in the process of integrating tradables, which includes the majority of manufactured goods.

In contrast to non-tradables, the FDI involved in this integration primarily takes place in the pursuit of production sites with the lowest costs. As a result, a US multinational company can invest in Chinese manufacturing facilities since it recognizes that doing so will lower the cost of the goods it can sell in the US and that it can use the same facility to provide competitive services to the Chinese and Indian markets.

Globalization of Production:

The third important aspect of globalization is the globalization of production, which supplements and adds to the globalization of markets. Every step of the manufacturing process of any good can be broken down into a number of physically separate steps or components. These can be joined to one another either horizontally or vertically. An automobile's engine manufacturing and assembly are vertically related, with the former always coming before the latter. Although it is not vertically connected, cleaning the factory where these operations are being performed is still an essential but distinct process.

Some of these different phases or elements can be completed by a single company; for instance, an automaker might produce its own engines and cleaners. Others involve business-to-business transactions because they can be executed by other businesses. As a result, the automaker can purchase the glass used in its vehicles from another business and hire a cleaning service to keep the factory clean.

A company's activities may be dispersed across multiple nations as a result of globalization of production, leading to cross-border but intra-firm transactions. As a result, an electronic television company may produce picture tubes in one country, parts in another, cabinets in a third, and the set itself in a fourth.

Otherwise, it may contract out the production of tubes, components, and cabinets from manufacturers in three different countries and assemble the final product in a fourth. These would result in cross-border transactions between firms. Regardless of the export and import of the finished product, some trade—exports and imports—would occur in both of these cases because of the different locations of these phases.

Socio-Cultural Impact on Indian Society:

Numerous historical, cultural, political, and economic factors influence Indian society; some of these factors have both beneficial and detrimental effects. Indian culture is incredibly diverse, with different regions, languages, religions, and cultural customs all influencing the social fabric. Here is a closer examination of some significant sociocultural factors:

Education accessibility: On the one hand, the proliferation of online information brought about by globalization has raised people's awareness. However, it has also increased the nation's demand for higher education promotion and specialization.

City growth: By 2050, it's predicted that over 50% of India's population will live in cities. Migration from rural to urban areas has increased as a result of the expansion of the services sector and the creation of jobs in urban areas. One of the most well-liked cuisines worldwide is Indian. In the past, one of the most sought-after trading commodities was Indian spices and herbs. Chinese food, pizza, and burgers are examples of Western cuisine that has become more and more popular.

The caste system: Despite being formally abolished, the caste system still influences the social structure of Indian society. In the past, it has affected marriage, social interactions, and even a person's profession. Lower-caste groups, known as "Dalits," face discrimination, which has led to social movements advocating for equality and rights.

Positive discrimination measures, such as reservations in the workplace and in schools, have been put into place over time to give underrepresented groups equal opportunities. Even though these laws have been beneficial, discrimination based on caste still exists.

Concerning youth culture, media consumption, and traditional practices

Youth Culture:

- To learn more about how young people are fusing Indian customs with Western fashion, music, and technology, conduct a series of focus groups in urban areas.
- Track new international trends among young people and whether they embrace or reject them in favor of regional customs.

Media Consumption:

- Complete the analysis of media consumption, paying particular attention to how young people use international digital platforms like social media, YouTube, and Netflix.
- Compile information about the media consumption patterns of urban and rural areas.

Traditional Practices:

- Keep studying how traditional cultural practices—such as religious rites, festivals, and family values—have changed and been preserved in the face of globalization, especially in rural areas.
- To determine how traditional customs are changing or vanishing, interview elders and cultural practitioners.

GLOBALIZATION AND INDIAN DEVELOPMENT:

India joined the globalization process a little later than the majority of emerging economies. Only following the liberalization measures put in place starting in 1991. Even though there was some liberalization in the 1980s, it was quite mild and came with other policy changes that weren't typical of the globalization era. The 1980s saw a very selective liberalization of trade and foreign direct investment, and the vast majority of the extensive network of governmental restrictions persisted until 1991. Only in the 1990s was foreign institutional investment made available to erratic money flows. This also applied to the control of public spending, which was characterized by its unchecked expansion in the 1980s.

Prior to 1991, India's growth experience was characterized by incredibly slow progress rather than remarkable accomplishments. Things had somewhat improved since the colonial era, but the great majority of Indians were still denied even the most basic necessities. GDP and GDP growth rates per capita were significantly higher after independence than they were during the first half of the 20th century. However, in 1991, the average Indian's income, housing conditions, health, education, and consumption of food and nutrition all remained incredibly low. The vast majority of the workforce was employed in agriculture, and the majority of Indians still resided in rural areas.

Goldman's 2007 "Sach Economic Research Report on Global Economies" lists the following advantages that India has over other economies.

I. In the next 15 years, India will upend the global economic order.

II. Will surpass the United States as the second-largest economy by 2050, after China.

III. In terms of purchasing power, India has the fourth-largest GDP in the world.

IV. After China and Vietnam, India's economy is expanding at the third-fastest rate in the world.

Growth and its Structure:

As mentioned above, India's growth in aggregate output since 1975 has been faster than it was in the two and a half decades before that. In reality, this change in India's growth trajectory occurred around 1980, at least ten years before the country's actual engagement in globalization began. India's GDP grew at an average rate of roughly 3-3.5 percent between 1950 and 1980, and then between 5.5 and 6% after that year. In other words, the growth acceleration precedes the widespread liberalization of the 1990s, after which the trend merely continued without any discernible acceleration.

It has been believed that a growth spurt since 2002–03, when GDP growth rates were between 8 and 9%, represents a further upward shift in India's growth trend. This has been called into question by the recent slowdown that followed the global economic crisis. However, from the standpoint of development, the nature of growth under globalization has been even more important than the growth rates.

The services sector, which has been the fastest growing and has contributed the largest share of the increase in output, has dominated India's recent development. This demonstrates the fact that the proportion of services in both domestic and international demand has been increasing.

It has been believed that a growth spurt since 2002–03, when GDP growth rates were between 8 and 9%, represents a further upward shift in India's growth trend. This has been called into question by the recent slowdown that followed the global economic crisis. However, from the standpoint of development, the nature of growth under globalization has been even more important than the growth rates.

The services sector, which has been the fastest growing and has contributed the largest share of the increase in output, has dominated India's recent development. This demonstrates the fact that the proportion of services in both domestic and international demand has been increasing.

These are the causes of the unchecked surge in farmer suicides in India. As much as it reflects so-called "non-inclusive" growth, this growth trajectory, which has a robust growth in services on one side, crippled agriculture on the other, and uneven industry in the middle, produces.

Employment:

It has been discovered that India's rapidly growing service sector is unable to generate significant employment. In reality, only about 25% of India's workforce works in this industry, which accounts for over 55% of the country's GDP. Although it still employs 57% of the workforce, agriculture, whose share of the GDP has fallen below 20%, simply cannot find room to grow.

Additionally, industrial employment has grown gradually. The organized sector's industrial employment has been declining, and the additional industrial labor force has been absorbed by the unorganized sector.

It is implied that the great majority of Indians are either unable to find work or are forced to look for low-paying jobs in the less vibrant sectors of the economy. Almost 34.74 million people, or 8.28% of the labor force, were unemployed in 2004–05 (based on current daily status), up from 20.27 million, or 6.06%, in 1993–94. However, in the absence of social security, people in India cannot afford to be unemployed for an extended period of time, and their desperate need to survive forces them into a variety of low-paying jobs in the unorganized sector. Even the fortunate few who enter the organized sector, however, do not always work for high salaries.

While certain segments of the organized white-collar workforce have achieved exceptionally high wages since liberalization, this is not the case for all employees in that sector. In fact, since liberalization, the real wages of industrial workers, including those in the organized sector, have stagnated.

The State's Function in the Economy and Globalization:

The growing interconnectedness of the world's economies, societies, and cultures as a result of advancements in communication, technology, and transportation is known as globalization. The way nations engage, trade, and influence one another has changed as a result of this development. At the same time, the state's role in economic management has changed in response to the opportunities and challenges presented by globalization.

According to the aforementioned, once a state chooses to open its economy, its policy space will unavoidably shrink, thereby restricting its capacity to engage in market intervention. To be more precise, the State is compelled to act in certain ways and obligated to act in others. Under modern globalization, these limitations or conditions can take many different forms that are connected to capital mobility and economic activity in the global economy.

Participating in the globalization process requires adherence to certain game rules. For example, a country cannot maintain tax rates that are much higher than those in other regions of the world because this would lead to a shift in economic activity.

The same requirements, such as labor laws, apply elsewhere. It is also common for exchange rate volatility brought on by erratic portfolio capital flows to subjugate state economic policy in the name of maintaining the "state of confidence." The severe devaluation of the country's currency can have crippling effects on its economy if the investors who made the investment are uncertain about the return on their assets and suddenly withdraw their funds from that country.

Low tax rates (often accompanied by tax incentives) are becoming universalized worldwide as a result of nations competing to entice economic activity to their economies. This limits states' ability to raise money to pay for their expenditures. As a result, state governments tend to steer clear of any policy actions that make financial investors nervous and instead favor those that instill confidence in them. Overall, this supports policy conservatism by limiting the state's ability to control and discipline private capital and pressuring it to take actions that tend to increase private profit.

To give an example of how this process works, any significant increase in a country's corporate income tax rate is certain to cause a negative reaction in its stock market, and when share prices fall, foreign investors will typically pull their money out of the country and its stock exchange.

CONCLUSION:

In conclusion, emerging nations have experienced both advantages and disadvantages as a result of globalization.

Positively, globalization has facilitated the transfer of knowledge and technology, increased foreign investments, enhanced international trade, and made it simpler to access new markets, all of which have contributed to economic growth and a decline in poverty in some regions. In many cases, it has also improved living standards and encouraged cross-cultural interaction.

But there are also significant disadvantages. Globalization has often exacerbated income inequality, leading to uneven development within and between countries. It can lead to the exploitation of labourer's and natural resources, usually by multinational corporations seeking to boost their earnings. In the end, the effects of globalization on developing countries are complex and vary by region and industry. Despite its enormous potential for economic expansion, globalization also presents challenges that need to be carefully addressed by policies designed to ensure that the positive effects of globalization are distributed more fairly and the negative ones are minimized.

REFERENCES:

1. The Social Impact of Globalization in Developing Countries" by Giorgio Barba Navaretti and Anthony J. Venables
2. https://egyankosh.ac.in/bitstream/123456789/59473/1/Unit4.pdf
3. https://www.researchgate.net/publication/344665441_AN_ANALYSIS_OF_IMPACT_OF_GLOBALIZATION_IN_DEVELOPING_COUNTRIES_WITH_REFERENCE_TO_INDIAN_ECONOMY
4. An Introduction to Globalisation and its Impacts BHAGIRATH LAL DAS https://www.twn.my/title2/ge/ge03.pdf
5. GLOBALIZATION AND THE DEVELOPING WORLD: AN ESSAY ON THE INTERNATIONAL DIMENSIONS OF DEVELOPMENTKeith Griffin and Azur Rahman Khan https://hdr.undp.org/system/files/documents/keithgriffinazurrahmankhan.pdf
6. ANALYZING THE IMPACT OF GLOBALIZATION ON ECONOMIC DEVELOPMENT IN DEVELOPING ECONOMIES Benjamin Ayodele https://www.usc.es/economet/journals1/aeid/aeid6314.pdf