



# Globalization and its Socioeconomic Impact: Examining Poverty, Unemployment, and Inequality in India

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**Abstract:** Globalization has significantly influenced India's economic landscape, shaping its policies, industries, and social fabric. While globalization has catalyzed economic growth and opened up global markets, its effects on poverty, unemployment, and inequality remain complex and multifaceted. This review article explores the dual nature of globalization's impact on these socio-economic parameters, highlighting the challenges and opportunities it presents.

**Keywords:** Globalization, Impact, Examining Poverty, Unemployment, Inequality

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## INTRODUCTION

Globalization, characterized by increased interconnectedness among nations, has reshaped India's economy since its liberalization reforms in 1991. These reforms aimed to integrate the country into the global economy, fostering trade, investment, and innovation. However, the outcomes have not been uniform across socio-economic strata, warranting an in-depth assessment of its impact on poverty, unemployment, and inequality.

## GLOBALIZATION AND POVERTY

Proponents of globalisation claim that it has helped millions of people escape poverty via boosting economies, expanding commerce, and making wealth and technology more accessible. On the other hand, others argue that globalisation has made poverty worse by making income inequality worse, exploitative labour practices more common, and marginalising already disadvantaged groups (Kiely, 2005). Inequitable competition with developed economies is a common consequence of developing nations' integration into the global economy, which in turn exploits their cheap labour and degrades their environment. In addition, globalisation has the potential to upend long-established ways of making a living, especially in the agricultural and industrial sectors, which may worsen economic insecurity and poverty (Harrison, & McMillan, 2007).

## GLOBALIZATION AND UNEMPLOYMENT

There are new possibilities and threats to employment as a result of globalization's impact on labour markets. New options for employment have emerged in fields like technology, banking, and services, which in turn have boosted creativity and productivity. Yet, in sectors that are especially susceptible to

global competition, globalisation has also contributed to the loss of jobs and the practice of outsourcing. Some areas have seen high rates of unemployment and underemployment due to factors such as the automation of mundane work and the relocation of manufacturing to nations with lower wages (Wagner, H. 2000). Workers' social protections and job security have come under scrutiny in the modern, globalised economy due to the rise of the gig economy and other forms of insecure employment (Daly, et al., 2017).

## **GLOBALIZATION AND INEQUALITY**

The effects of globalisation on domestic and international inequality are a hotly debated topic. Even while many people's earnings and living standards have increased due to globalisation, the gap between the wealthy and everyone else has become wider (Mills, 2009). Exacerbating economic inequality and eroding social cohesiveness, globalisation has frequently benefited the rich elite disproportionately. Further expanding the gap between the affluent and the poor, globalisation has also made tax evasion and capital flight easier (O'Rourke, 2001). There is a more complex picture of global inequality now that globalisation has allowed a global middle class to emerge in developing nations.

Finally, there are many facets to the complicated and multi-faceted effects of globalisation on unemployment, poverty, and inequality. Although it has greatly improved the economy, it has also exacerbated socioeconomic inequalities and left certain people more vulnerable. Inclusionary economic policies, social safety nets, and international collaboration are all necessary to mitigate globalization's detrimental effects. In the end, creating a more fair and sustainable society requires taking advantage of globalisation while reducing its negative impacts.

## **INDIA'S GROWTH AND POVERTY**

Indian planners for the post-independence era aim to provide long-term benefits for the country's poor citizens, including by utilising rural labour in the industrialization of the nation's urban core. However, the evidence for the slow rate of poverty reduction during the independence period up to the 80s largely shattered this expectation. In this relation, several observatories pointed to the declining rate of agricultural work absorption linked to the more inward-looking development phase of the time (e.g., Bhagwat 1993, Eswaran and Koala 1994).

The share of the urban population in India has steadily risen over time, from 17% in 1950 to 31%. However, India was significantly slower than China, for example, in terms of a proportionate rise in the urban population. It was also less urbanised than South Asia as a whole or mid-income countries as a whole. India's Net Internal Product increased less than 2 percent annually on average from 1958 to 1991. (NDP). The National Studies Sample of India, which began collecting data in the 1950s, shows that, despite slow economic growth, India experienced a reduction in poverty up until the 1990s. The Elasticity for the incidence of low household consumption was -1.3 over 1958-1991, according to Ravallion and Datt (1996). Given the moderate growth rate during this time, the result was crucial to success in preventing increased inequities before the 1990s.

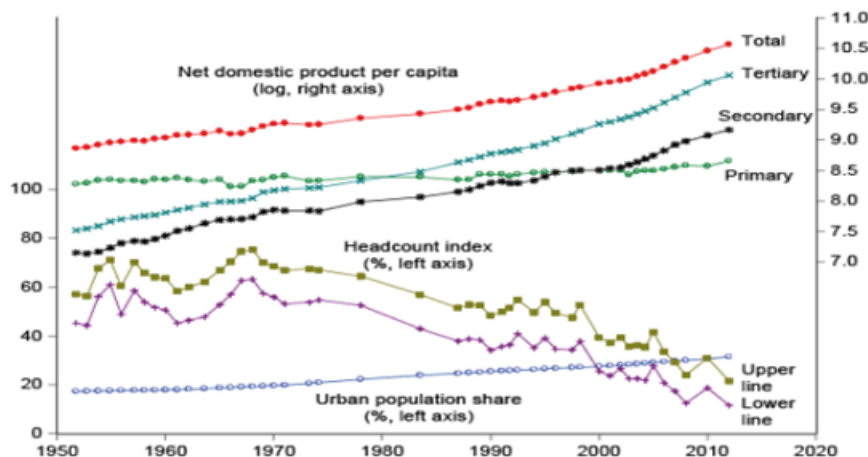
## **NEW Evidence Spanning 60 Years**

In a recent paper, we reviewed the effects of both higher growth rates and growth levels for poverty in this

history (Datt et al. 2016). If the model associated with growth has remained the same, the sectoral imbalance of post-reformative growth in India is concerning for reducing poverty, especially with the rural and agricultural sector making the largest contribution to doing so. However, earlier research by Datt and Ravallion (2011) indicated that India's economic growth has changed, with urban economic growth increasing in the post-reform period up to 2005–2006. In order to assess whether there have been clear connections between the more economically diversified rural economy and the reduction of rural poverty, it is crucial to know if this trend has persisted in more recent data.

It is assumed there are ample data for the post-91 eras for the gain of almost two decades of post-1991 data to measure the poverty effects of the new growth rate in post-reformation in India. Although it is a problem to contribute to reforms, further scrutiny of the evolving features of the shift in poverty reduction growth mechanism is necessary. In the post-1991 century, the sector structure of Net Domestic Product growth and population urbanisation, including the Kuznets Method, are of great importance in previous considerations of the distributive implications of economic growth in poor countries (Kuznets 1955; Anand and Kanbur, 1993 are very attentive to the modern formulation). The structure is of interest. As per the study of the breakdown of poverty alleviation by NDP sector and a decomposition approach that describes the disparity between population urbanisation effects with the clear internal distribution.

According to Gaurav Datt et.al study, using data spanning nearly six decades from 1957 to 2012, indicate India's long-term progress against reducing poverty. Figure 1.1. This summarises the national and poverty levels. The pattern for our upper line was a 0.65% annual decline in the national poverty rate, which amounted to a considerable decline of over 35%. Proportionally, the rate of poverty decreased by 1.3% per year. (Datt et al . 2016)

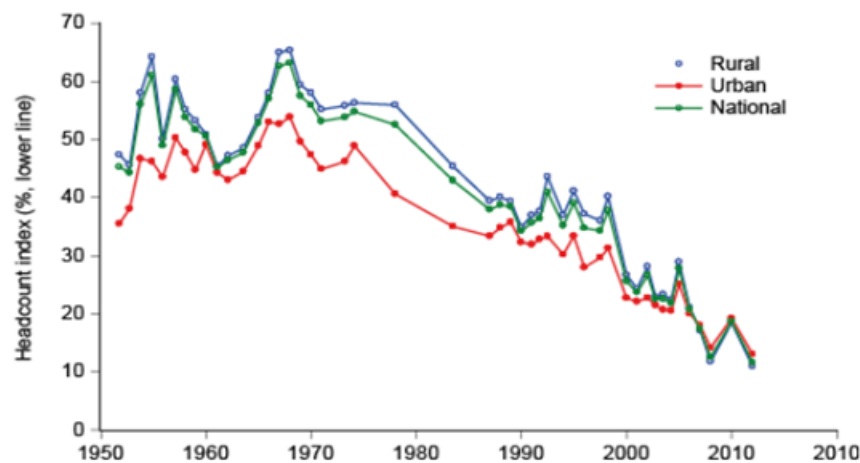


**Figure 1: Net domestic product by sector and poverty rate**

**Source:** Datt et al. (2016)

In urban and rural areas, the long-term decrease in poverty is apparent, and for poorness and square poverty gap indexes, the benefits for those who live far below poverty lines are greater. In recent years the (distributions) squared poverty gap index for urban India has overtaken for rural India of the past few years (Figure 1.2). Rural-poverty actions have traditionally been more consistent than those for urban areas with

urban-based actions. During this time, poverty was markedly urbanised India. This correlates to outcomes for the majority of other developed countries (Ravallion et al . 2007).



**Figure 2: Poverty measures for India**

**Source:** Datt et al. (2016)

Although the poverty pattern emerged at the beginning of the '70s, 1991-92 – India's benchmark of economic change is the year of the great divide. There are several symptoms of a structural split. Growth in the tertiary sector and, to a lesser extent, in the secondary sector, significantly enhanced economic growth. With the proportionate rate of decline in the post1991 period being three to four times higher, poverty reduction has increased. Compared to urban poverty, rural poverty has accelerated much more rapidly. In comparison to a decrease in rural inequality and no trend in urban inequality before 1991, this occurred in addition to a large increase of inequality in both the urban and rural areas. No matter whether growth is calculated by national accounts or by survey-based consumption, the response of poverty to aggregate growth after 1991, despite the rise in inequality, is greater. Thus, more rapid growth also seems to be more pro-poor if poverty reduction is measured by the growth elasticity.

The fact that the relationship between poorness and the composition of development indicates a structural break is even more striking. Too decreases in both urban-rural and sectoral (output) indicate stronger cross-sector relations, with development transmitted elsewhere in one sector. After 1991, urban development became the key driving force behind reducing poverty. Urban poverty has risen considerably in terms of urban growth, but since 1991, urban growth has been substantially reducing rural poverty. This contrasts significantly with a trend that had not impacted rural poor in urban development before 1991. What is also striking is that after 1991 the data show that the poverty reduction impact of the growth of the net domestic product is neutral (by output). Unlike in the pre-1991 period, the reduction of poverty was only due to growth in primary and Secondary sectors after 1991. The tertiary sector, which is roughly twice as high as the primary and secondary sectors, has the highest (absolute) growth elasticity for poverty reduction. With significantly increased national production and employment in the secondary and third sectors, this reflects both the dynamic nature of the development process and the significant structural change in the Indian economy over the past 20 years. While the process of economic structural change is ongoing, the sector neutrality of the effects of marginal poverty after 1991 cannot also be a long-term result.

## CAUSES FOR POVERTY IN INDIA

The main reasons for poverty in India are the high growth rate in the population. It caused high rate of illiteracy, poor health care and a lack of access to basic needs. It also affects per capita earnings and lowers individual earnings too. India will be the world's largest nation, with a population of 1.5 billion by 2026. But Indian economy is not growing as anticipated. This is due to the lack of employment opportunities. Nearly 20 million new jobs would be needed for this large population.

The increase in prices of basic commodities is another reason for poverty. It is very hard to survive for people who are below the poverty line. The caste system and the uneven distribution of income and resources are other reasons for poverty. Besides all these, skilled workers, despite their hard work every day, are being paid very low. The problem is basically the non-organized sector does not disturb the way its employees live and how much they earn. It is only cost reduction and increased profit that is the main concern of these industry owners. Because the number of employees seeking work exceeds the available jobs, non-trained employees have no choice but to work for less money. The government really ought to see a way for these workers to impose minimum wage standards. The government should also ensure that this is properly implemented. The eradication of poverty from India is important since every person has the right to lead a healthy life.

## CAUSES FOR UNEMPLOYMENT IN INDIA

The term unemployment is a multi-faceted issue with abundant overlap and links but it is caused by various problems. The main causes of this problem are the following, but they differ from macroeconomic factors e.g. overall low economic growth and population growth to microeconomic factors e.g. the joint family system of business. The government must understand and rectify the causes of unemployment by establishing a company in which each individual and his family can find a sustainable livelihood.

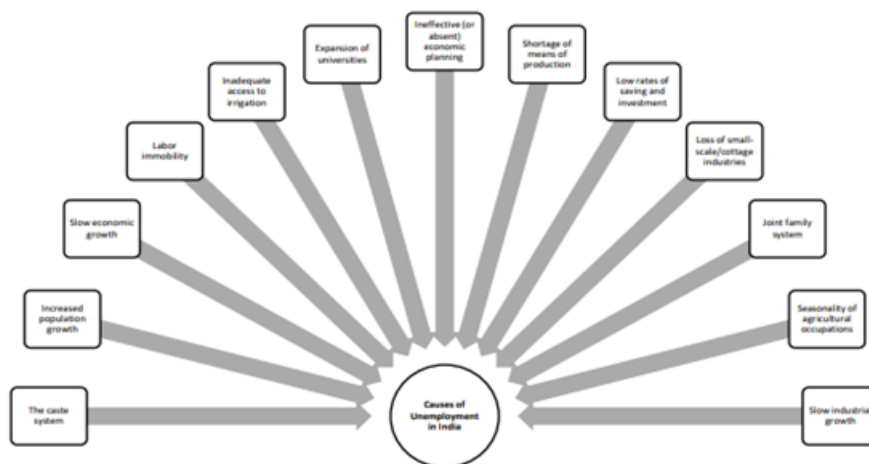


Figure 3: Causes for Unemployment in India

## IMPACT OF POVERTY AND UNEMPLOYMENT ON ECONOMY

Skilled labour is the key factor for any economy's growth, especially in developing economies; as such economies depend primarily on human development strength. Growth is therefore essential for sustainable

development through the provision of earnings for labour. This phenomenon is no exception in India. In India, unemployment and poverty are interlinked causes, they face many complex problems. The economy is having a greater impact on poverty and unemployment. Hunger, poor nutrition and susceptibility to disease are the direct consequences of poverty. These were identified worldwide as major problems. In a sociopsychological way, it affects people. This condition prevents them from simple leisure activities and from being marginalized in society gradually. Various causes of poverty can occur. Unemployment in India was up 31 million job-seekers by 2018, according to the Centre for Monitoring the Indian Economy, an economic and business think-tank. India's lowest rate of unemployment was 3.4% (July 2017), but is now at 7.1%. Unemployment is a life event of great importance. This affects not only the unemployed but the whole family as well. The effect on India's economy remains lasting. It also affects unemployed people's living standards and the next generations. Local community damages companies as family spending are reduced. The loss of jobs is caused in rural and regional areas.

India's economic reforms have several aspects that raise concerns concerning poverty reduction and poverty alleviation. In Bihar, Jharkhand, Odisha, Madhya Pradesh, Chattisgarh, Uttar Pradesh, and Uttarakhand, more than 60 percent of those in need still live. The main reason behind these states is that 85% of the tribal population is living with them. Most of these areas are susceptible either to floods or to natural disasters. These situations are more likely to hinder agriculture, which is dependent on these groups' household income. "India is ranked 103 in the Global Hunger Index according to the 2018 Global Hunger Index Report by the International Food Research Institute (GHI). Although food production in India is not short enough, 35.8% of children under the age of five still belong to our country. India struggles to become a superpower in 2020, but these are some worrying statistics as our country is still lagging in improving GHI. At the same time, India seems to have been successful in eradicating poverty because it is no longer the country with the greatest population. Nigeria has pushed India to the top in 2018 for the first time in decades about the total number of people living in extreme poverty. As per the World Poverty Index, India's 70.6 million population in extreme poverty was surpassed by Nigeria's 87 million."

The problem of unemployment and the resulting poverty is expected to be reduced by economic reforms, changes to industrial policy and better utilization of available resources. Economic reform measures must have significant effects on the economic potential generated by employment. Government agencies must also launch long-term poverty alleviation measures. The two key factors in dealing with the dual problem of unemployment and poverty are creating employment opportunities and achieving equality of income distribution.

### **Impact on Poverty**

Globalization has contributed to reducing poverty levels in India, primarily through economic growth and job creation in high-performing sectors. The expansion of industries such as information technology, manufacturing, and services has provided livelihoods for millions, particularly in urban areas. Rural poverty has also seen a decline due to the growth of non-agricultural activities. However, the benefits of globalization have been uneven. Urban areas and export-driven industries have reaped significant gains, while rural regions and small-scale farmers often remain excluded. Additionally, informal sector workers and unskilled laborers have been disproportionately affected by global competition and volatile markets,

underscoring the need for more inclusive development strategies.

### **Impact on Unemployment**

Globalization has had a mixed impact on employment in India. On one hand, it has created new opportunities in sectors like IT, telecommunications, and financial services, particularly benefiting educated and skilled individuals. Foreign direct investments have also bolstered employment in urban areas, contributing to industrial and infrastructural growth. On the other hand, the rise of global competition and technological advancements have displaced traditional industries and manual labor, leading to structural unemployment. Furthermore, automation and digitization have reduced demand for low-skilled workers, aggravating joblessness among vulnerable populations. This highlights the urgent need for skill development programs and policies aimed at creating employment across diverse sectors.

### **Impact on Inequality**

One of the most significant outcomes of globalization in India has been the widening of economic and social inequalities. The rapid growth of urban-centric industries and corporate-led development has concentrated wealth among a small elite, exacerbating the gap between urban and rural areas. Income inequality has risen as high-income groups benefit disproportionately from globalization-driven economic growth. Social inequalities, including those based on caste, gender, and regional disparities, have also deepened. Marginalized groups, such as women and Scheduled Castes/Tribes, often face systemic barriers to accessing education, employment, and technological resources, further excluding them from the benefits of globalization. The digital divide has added another layer of inequality, as access to digital tools and the internet remains unequal across regions and communities.

### **Policy Interventions and Recommendations**

To address the challenges posed by globalization, India must implement targeted policies to ensure equitable growth. Promoting skill development and vocational training can equip the workforce to meet the demands of a changing global economy while fostering employment opportunities across sectors. Strengthening small and medium enterprises (SMEs) and promoting rural industrialization can reduce regional disparities and support inclusive growth. Expanding social safety nets, such as universal healthcare, education, and poverty alleviation programs, is essential for protecting vulnerable populations. Furthermore, progressive taxation and wealth redistribution policies can address rising income inequality, while investments in infrastructure and technology can help bridge the urban-rural divide. By pursuing these strategies, India can achieve a more balanced and inclusive form of globalization.

## **CONCLUSION**

Globalization has undeniably reshaped India's economic and social landscape, bringing both opportunities and challenges. While it has spurred economic growth and modernized industries, its uneven impact on poverty, unemployment, and inequality highlights the need for more inclusive policies. By addressing these disparities through targeted interventions and equitable reforms, India can harness the full potential of globalization while ensuring sustainable and inclusive development for all.

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