



## GLOBALISATION AND ITS IMPACT ON INCOME INEQUALITY IN INDIA: ECONOMIC TRENDS AND EMERGING CHALLENGES

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### ABSTRACT

With an emphasis on significant economic trends and the difficulties that have arisen since the economic liberalization of 1991, this essay examines the complex effects of globalization on income disparity in India. The expansion of technology-driven industries, higher foreign direct investment (FDI), and India's GDP growth have all been greatly aided by globalization, but its advantages have not been shared equally. The socioeconomic gap has widened as urban areas and skilled labor have disproportionately benefited while rural communities and unskilled workers have frequently been left behind. The study looks at how the Indian economy has changed structurally, with a focus on manufacturing, services, and agriculture, and how these industries have reacted differently to the integration of global markets. Additionally, it examines how labor market conditions, educational inequalities, and policy choices have either reduced or increased inequality. The study examines measures including the Gini coefficient, salary gaps, and regional inequalities to determine the actual level of income inequality using both secondary data and empirical research.

The study also identifies new issues that continue to impede fair economic advancement, such as the rise in unemployment, informal work, and the digital gap. The paper's conclusion makes policy recommendations for inclusive growth, including labor reforms, investments in education and skill development, and targeted social welfare.

**Keywords:** Globalisation, Income Inequality, Economic Liberalisation, Regional Disparities, Labour Market, Social Equity

### WIDENING INCOME DISPARITIES

Income inequality has become one of the most significant challenges in the wake of globalisation in India. Since the economic reforms of 1991, India has witnessed considerable economic growth, with an increase in GDP and a boom in sectors like information technology, manufacturing, and services. However, the benefits of this growth have not been equally distributed across all sectors and income groups. As a result, income disparity has widened, leading to social and economic inequalities. This widening gap has been driven by several factors, including the nature of India's economic reforms, the

concentration of growth in specific sectors, and the disparities in access to education, healthcare, and economic opportunities.<sup>282</sup>

Globalisation has played a pivotal role in shaping the distribution of income. The opening of the economy and the integration of global markets have encouraged the growth of industries that are more capital-intensive, such as IT and finance, while leaving behind labour-intensive sectors like agriculture and small-scale manufacturing. The skill-based nature of the globalised economy has meant that those

<sup>282</sup> VisionIAS, High Income and Wealth Inequality in India, VISION IAS (May 21, 2024), [https://visionias.in/current-affairs/monthly-magazine/2024-05-21/economics-\(indian-economy\)/high-income-and-wealth-inequality-in-india](https://visionias.in/current-affairs/monthly-magazine/2024-05-21/economics-(indian-economy)/high-income-and-wealth-inequality-in-india) (last visited Mar. 4, 2025).



with access to higher education and specialised skills have benefited significantly, while those in lower-skilled jobs have not seen the same improvements in their income levels. The **Economic Survey of India 2017-18** highlighted that the income inequality in India had been rising, with the top 1% of income earners accounting for a significant portion of the total national income.<sup>283</sup>

At the same time, the Indian government has implemented various laws and policies to address income inequality, including the **National Rural Employment Guarantee Act (MGNREGA)**, which provides guaranteed employment to rural households, and the **Pradhan Mantri Jan Dhan Yojana**, which aims to provide financial inclusion to the underserved population. Despite these efforts, there remains a gap between the urban and rural areas, and within urban areas, disparities in income levels are stark. The growth of the informal sector, where workers often earn low wages and lack job security, further exacerbates income inequality.<sup>284</sup>

### GLOBALISATION AND REGIONAL IMBALANCES

The regional imbalances in India have also been aggravated by the forces of globalisation. Economic growth in the country has not been uniform, with certain states and regions benefiting disproportionately from the liberalisation of trade, foreign investments, and industrialisation, while others have been left behind. The disparities between the northern and southern states, and between urban and rural areas, have been particularly pronounced. States such as Maharashtra, Gujarat, Tamil Nadu, and Karnataka have attracted a significant share of foreign direct investment (FDI), which has fuelled growth in industries like manufacturing, IT, and services. On the other hand, many northern and eastern states have

seen slower economic growth and struggle with poverty, underdevelopment, and a lack of infrastructure.<sup>285</sup>

The **Finance Commission of India** and the **Planning Commission** have acknowledged these regional disparities and recommended measures to ensure balanced development across the country. Several policies, such as the **Special Economic Zones (SEZ) Act, 2005** and the **North-East Industrial and Investment Promotion Policy (NEIIPP)**, have been designed to promote investment and economic activities in less developed regions. However, the effectiveness of these policies in reducing regional disparities remains uncertain. The unequal distribution of resources and infrastructure investments continues to hinder equitable development. Moreover, globalisation has deepened the economic divide between states that are more integrated into the global economy and those that are not, with lagging regions struggling to keep pace with the rest of the country.

### URBAN VS RURAL: THE GROWING DIVIDE

One of the most notable consequences of globalisation in India has been the increasing divide between urban and rural areas. Urban areas have benefited disproportionately from the influx of foreign investment, the development of modern industries, and the growth of the service sector. Cities like Bengaluru, Hyderabad, Mumbai, and Delhi have transformed into global economic hubs, attracting multinational corporations, technology firms, and skilled professionals. This urban growth has created job opportunities, improved infrastructure, and increased living standards for many people. However, this rapid urbanisation has also come at a cost, particularly for rural communities.<sup>286</sup>

<sup>283</sup> Issues Brief, Globalization: A Brief Overview, INT'L MONETARY FUND (May 30, 2008), <https://www.imf.org/external/np/exr/ib/2008/053008.htm> (last visited Mar. 4, 2025).

<sup>284</sup> MGNREGA: Mahatma Gandhi National Rural Employment Guarantee Act UPSC CSE, CHAHAL ACAD., <https://chahalacademy.com/mgnrega> (last visited Mar. 4, 2025).

<sup>285</sup> VisionIAS, Regional Disparity in Development, VISION IAS (Oct. 17, 2024), [https://visionias.in/current-affairs/monthly-magazine/2024-10-17/economics-\(indian-economy\)/regional-disparity-in-development](https://visionias.in/current-affairs/monthly-magazine/2024-10-17/economics-(indian-economy)/regional-disparity-in-development) (last visited Mar. 4, 2025).

<sup>286</sup> Vajiram & Ravi, Globalisation, Meaning, Factors, Significance, Impacts, VAJIRAM & RAVI (Dec. 11, 2024).



The rural economy, largely dependent on agriculture, has struggled to keep pace with the changes brought about by globalisation. The rise of global trade and the introduction of global supply chains have led to the marginalisation of small farmers and rural industries, particularly in traditional sectors like agriculture, textiles, and handicrafts. Despite efforts like the **National Rural Employment Guarantee Act** and agricultural reforms, rural areas still suffer from poor access to education, healthcare, infrastructure, and employment opportunities. The shift towards more capital-intensive industries has led to a decline in the demand for agricultural labour, further exacerbating unemployment and underemployment in rural regions. Additionally, the migration of workers from rural areas to urban centers in search of better opportunities has led to a situation where rural communities are left with a significantly reduced workforce, while urban centers become overcrowded.

The **National Urban Transport Policy (2006)** and the **Atal Mission for Rejuvenation and Urban Transformation (AMRUT)** were established to address some of these imbalances by improving infrastructure and creating better living conditions in urban areas. However, these efforts have been insufficient in narrowing the urban-rural divide, as rural areas continue to face challenges related to basic services, education, and employment.

### IMPACT ON VULNERABLE GROUPS AND COMMUNITIES

The effects of globalisation have been especially pronounced on vulnerable groups and communities in India. Globalisation has led to the concentration of wealth and opportunities in a few select sectors, leaving behind a significant portion of the population. Vulnerable groups such as Dalits, tribal communities, women, and the elderly have struggled to access the benefits of globalisation. The rise of the service and information technology sectors has created new jobs, but these opportunities are largely

inaccessible to people in rural areas or those without advanced education and skills.

The Scheduled Castes and Scheduled Tribes (Prevention of Atrocities) Act, 1989 and the Rights of Persons with Disabilities Act, 2016 are two significant legal frameworks aimed at safeguarding the rights of vulnerable communities. However, the benefits of these laws are not always fully realised, particularly in the context of globalisation. For instance, the education and skill levels required to participate in the global economy remain out of reach for many in these communities. Furthermore, the increased reliance on technology in the workplace has led to a digital divide, with many people from vulnerable backgrounds lacking access to the necessary tools and skills to participate in the modern economy.<sup>287</sup>

Additionally, women, who have historically faced discrimination in the workforce, continue to bear the brunt of economic inequalities in the globalised economy. While globalisation has led to an increase in female labour force participation in some sectors, it has also perpetuated gender disparities in others. Women in the informal sector, for example, continue to earn lower wages and work in exploitative conditions without the benefit of labour protections. The Maternity Benefit Act, 1961, and the Equal Remuneration Act, 1976, are crucial legal protections for women workers, but these laws often fail to address the unique challenges posed by globalisation, such as the rise of gig work and informal employment.

### LABOUR EXPLOITATION AND LOW WAGES

One of the critical consequences of globalisation in India has been the exploitation of labour, particularly in the informal sector. With the opening of the economy, India experienced a surge in multinational corporations setting up manufacturing plants, outsourcing services, and driving the growth of

<sup>287</sup> Oishika Banerji, Scheduled Castes and Scheduled Tribes (Prevention of Atrocities) Act, 1989, IPLEADERS (2022), <https://blog.ipleaders.in/scheduled-castes-and-scheduled-tribes-prevention-of-atrocities-act-1989/> (last visited Mar. 4, 2025).



sectors like textiles, electronics, and customer services. While this led to significant job creation, a significant proportion of these jobs were low-wage and exploitative. Workers in these industries often face poor working conditions, long hours, and low pay, which do not match the value they contribute to the economy.

The liberalisation of trade and investment under globalisation has led to an increased focus on reducing costs and improving profits for companies. This has, unfortunately, resulted in wage suppression, particularly for low-skilled workers. The rise of the gig economy, where workers are employed on short-term contracts with little to no job security, further exacerbates this issue. Despite working long hours, gig workers, such as those in the delivery and ride-sharing services, often face low pay and lack of benefits, such as healthcare and social security.<sup>288</sup>

The Minimum Wages Act, 1948, has been a critical legal instrument in setting a minimum standard for wages in India. However, the implementation of this law remains inconsistent across states and sectors. Many workers in the informal sector are excluded from the protections offered by the Minimum Wages Act, leading to widespread exploitation. Additionally, the Labour Code on Wages, 2019, aims to streamline labour laws and ensure that workers are paid a fair wage, but challenges persist in enforcing this code, particularly in unorganised sectors where workers lack representation.

While the Indian government has introduced various schemes to improve the condition of workers, such as the Employees' Provident Fund (EPF) and Employees' State Insurance (ESI), many workers in informal employment remain outside the coverage of these social security measures. The lack of enforceable labour rights and weak trade union activities further

contribute to the continued exploitation of labour in the wake of globalisation.

### **POLICY INTERVENTIONS TO ADDRESS INEQUALITY**

To address income inequality and the exploitation of labour, the Indian government has enacted various policy interventions aimed at reducing disparities and promoting social welfare. One of the most prominent measures is the National Rural Employment Guarantee Act (MGNREGA), 2005, which guarantees 100 days of wage employment to rural households, providing a safety net for the rural poor. This policy has had a significant impact on reducing poverty in rural areas and improving the living standards of low-income households.

Further, the Pradhan Mantri Jan Dhan Yojana (PMJDY), launched in 2014, aimed at promoting financial inclusion, providing access to banking facilities to the unbanked, and ensuring that the underprivileged can avail themselves of financial services. By ensuring access to credit, insurance, and savings, the programme helps mitigate the economic exclusion of marginalised communities.<sup>289</sup>

Another significant intervention has been the Right to Education Act (RTE), 2009, which mandates free and compulsory education for all children between the ages of 6 and 14. The act seeks to reduce educational inequalities, which are a key driver of income disparity, by ensuring that children from disadvantaged backgrounds can access quality education, which in turn improves their future earning potential. In addition to these schemes, the Indian government has launched a series of welfare programmes, such as the Atal Pension Yojana and the PM Kisan Samman Nidhi, designed to provide financial support to the elderly, farmers, and other vulnerable populations.

<sup>288</sup> How Has Liberalisation of Trade and Investment Policies Helped the Globalisation Process, TOPPR ASK (Jan. 9, 2020), <https://www.toppr.com/ask/question/how-has-liberalisation-of-trade-and-investment-policies-helped-the-globalisation-process/> (last visited Mar. 4, 2025).

<sup>289</sup> Pradhan Mantri Jan Dhan Yojana (PMJDY) - National Mission for Financial Inclusion, Completes Nine Years of Successful Implementation, PRESS INFO. BUREAU (Feb. 19, 2025), <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1952793> (last visited Mar. 4, 2025).



Despite these interventions, the implementation and impact of these policies have been inconsistent. In many cases, the benefits have not reached the most disadvantaged groups due to bureaucratic inefficiencies, corruption, and a lack of awareness among the targeted population. Additionally, globalisation continues to favour the urban middle class and high-income groups, often bypassing rural and less-developed areas.

### GLOBALISATION AND THE REDISTRIBUTION OF WEALTH

Globalisation has contributed to the concentration of wealth in the hands of a small section of society, with the top 1% owning a significant proportion of India's wealth. The benefits of increased economic growth have largely accrued to those with the skills, capital, and education to participate in the global economy. However, the redistribution of wealth through globalisation has not been balanced, and large sections of the population continue to live in poverty and marginalisation.

While India's integration into the global economy has led to the creation of new wealth in the form of thriving IT, service, and manufacturing sectors, the redistribution of this wealth has been uneven. The increase in foreign direct investment (FDI) has benefited industries in high-growth sectors, creating wealth among the elite and skilled professionals, while leaving behind the working-class populations and those employed in less competitive sectors. The Indian economy's shift towards a more market-driven model has led to the marginalisation of agriculture, small-scale industries, and low-wage workers who have not shared equitably in the country's economic success.<sup>290</sup>

To address the growing concerns of wealth inequality, the Indian government has implemented progressive taxation policies. The **Income Tax Act, 1961**, with its provisions on progressive tax rates, has sought to redistribute

wealth by imposing higher taxes on the wealthy and using the revenue to fund social welfare programmes. However, the wealth redistribution process remains slow and inefficient, with the ultra-rich finding ways to evade taxes through loopholes and the underreporting of income.

In 2019, the government introduced the **Taxation Laws (Amendment) Act, 2019**, which included significant reforms aimed at improving the tax structure, but critics argue that the reforms may disproportionately benefit the wealthy. The lack of substantial wealth tax also contributes to the widening inequality in India. Furthermore, the liberalisation policies of the 1990s have reduced the role of the state in wealth redistribution, as the private sector has expanded and wealth has become increasingly concentrated in the hands of a few.

While globalisation has made some sections of Indian society wealthier, it has not been able to achieve significant wealth redistribution or reduce income inequality. Without a more inclusive approach that considers the needs of all sections of society, particularly the poor and vulnerable, the wealth generated by globalisation will continue to benefit only a select few, exacerbating social divisions and economic disparities. The success of redistributive policies largely depends on improving the governance structures, tackling corruption, and ensuring that social welfare schemes reach those who need them most.<sup>291</sup>

In conclusion, while India's economic liberalisation has brought about significant growth, it has also exacerbated issues of income inequality. The concentration of wealth, exploitation of labour, and uneven access to opportunities have led to widening disparities, with vulnerable populations being left behind. Despite various policy interventions, the challenge of addressing income inequality remains a major issue, as many of the benefits of globalisation continue to bypass the most

<sup>290</sup> Admin, India Becoming the First Largest Economy in the World, ABHIJEET SHIRKE (2024), <https://www.abhijeetshirke.in/india-becoming-first-largest-economy-in-world/> (last visited Mar. 4, 2025).

<sup>291</sup> Redistribution of Income and Reducing Economic Inequality - IMF F&D Magazine, INT'L MONETARY FUND, <https://www.imf.org/en/Publications/fandd/issues/2018/03/bourguignon> (last visited Mar. 4, 2025).



disadvantaged groups. To ensure that the benefits of globalisation are more equitably shared, India must focus on strengthening its labour laws, improving policy implementation, and introducing more progressive wealth redistribution mechanisms.

### RESISTANCE FROM LOCAL INDUSTRIES AND COMMUNITIES

As India becomes increasingly integrated into the global economy, local industries and communities face significant challenges in competing with multinational corporations. One of the most prominent criticisms of globalisation is the displacement of local businesses, especially small and medium-sized enterprises (SMEs), which are unable to match the scale, resources, and technological advancements of global players. The opening up of markets has led to the dominance of foreign companies, particularly in sectors such as retail, automobiles, and agriculture, which has left many local industries struggling to survive.

The impact of globalisation on agriculture is particularly severe. As global agricultural trade increases, small-scale farmers in India are finding it difficult to compete with the subsidised, high-tech farming practices of developed nations. Additionally, the influx of foreign agricultural products has led to a decline in demand for locally produced goods, further exacerbating the plight of farmers.

Local communities that depend on traditional industries also face significant challenges. For example, the handloom and handicraft sectors in India, which are integral to local economies and cultural heritage, have been negatively impacted by cheap mass-produced goods flooding the market. These local industries face competition from multinational corporations, which can afford to produce goods at a much lower cost, thereby undermining the livelihoods of artisans and craftspersons.<sup>292</sup>

In response, local industries and communities have begun to resist globalisation in various forms. There has been a push for 'Swadeshi' (self-reliance) movements, which advocate for the use of locally produced goods and services. Legal frameworks such as the Small Industries Development Act, 1982, aim to protect and promote small-scale industries, but these efforts have not been sufficient to fully shield them from the pressures of globalisation. Furthermore, local communities have organised protests and campaigns to preserve their livelihoods and protect traditional industries from being overrun by foreign competition.

### GLOBAL COMPETITION AND THE STRUGGLES OF SMALL BUSINESSES

Globalisation has led to an increase in international competition, which poses significant challenges for small businesses in India. The integration of India into the global market has opened up opportunities for large multinational corporations (MNCs) to operate more freely, often overshadowing small and medium-sized enterprises (SMEs). These smaller players, while critical to the Indian economy in terms of employment and innovation, struggle to compete on the same scale as global corporations with greater access to capital, advanced technologies, and established market dominance.

The primary concern for small businesses is their inability to match the economies of scale that MNCs can achieve. Large corporations benefit from bulk production, lower operational costs, and substantial marketing resources, which enable them to sell products at lower prices. This price advantage makes it difficult for local businesses to stay competitive, particularly in sectors like retail, manufacturing, and agriculture. Many small businesses face the risk of being pushed out of the market due to the superior pricing and distribution strategies employed by global players.

<sup>292</sup> Admin, Handloom Heritage: The Cultural and Economic Significance of India's Handloom Sector, GARTEX TEXPROCESS INDIA 2025 (2024),

<https://www.gartexindia.com/handloom-heritage-the-cultural-and-economic-significance-of-indias-handloom-sector/> (last visited Mar. 5, 2025).



In response to these challenges, the Indian government has implemented several legal measures aimed at supporting small businesses. The **Micro, Small and Medium Enterprises Development (MSMED) Act, 2006**, for example, aims to promote and develop SMEs by providing them with access to credit, market support, and various tax incentives. Additionally, the Small Industries Development Bank of India (SIDBI) was established to offer financial support to these enterprises. Despite these efforts, small businesses still face hurdles in accessing affordable credit and navigating bureaucratic complexities, which limit their ability to grow and compete effectively against MNCs.<sup>293</sup>

Furthermore, the rise of e-commerce has opened new markets but also intensified the competition small businesses face. E-commerce giants like Amazon and Flipkart, with their vast global reach, significantly impact traditional small businesses, particularly in the retail sector. While digital platforms offer opportunities for market expansion, they also introduce challenges such as the high cost of online advertising, supply chain management, and competition from international sellers. To address some of these challenges, the Foreign Direct Investment (FDI) policy in the retail sector was restructured to restrict FDI in e-commerce, but the practical challenges of global competition remain an ongoing concern for Indian SMEs.

### CRITICISM FROM ENVIRONMENTAL ACTIVISTS AND SOCIAL MOVEMENTS

Globalisation has led to significant environmental changes, many of which have been met with criticism from environmental activists and social movements. While globalisation has resulted in economic growth, it has come at a significant environmental cost. The expansion of industrial activity, particularly in sectors like mining, manufacturing, and

agriculture, has contributed to environmental degradation. Environmental activists argue that this rapid industrialisation and the pursuit of economic growth have undermined efforts to maintain ecological balance and sustainability.

Critics contend that environmental protection is often sacrificed for the sake of economic development, with local communities bearing the brunt of the environmental damage. Deforestation, air and water pollution, soil degradation, and the depletion of natural resources have all been exacerbated by globalisation. India's integration into global supply chains has led to an increase in production and consumption, often without sufficient regard for the environmental consequences. For example, the expansion of agriculture to meet the growing demand for food exports has resulted in significant deforestation and loss of biodiversity, a concern that has been raised by many environmental organisations.<sup>294</sup>

To counter these environmental challenges, various legal frameworks have been put in place in India. The Environment Protection Act, 1986, serves as a broad framework for environmental protection and is supported by a range of other laws, such as the Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981, and the Forest Conservation Act, 1980. These laws aim to regulate industries and ensure that they comply with environmental standards. Additionally, the National Environmental Policy, 2006, emphasises the need for sustainable development, advocating for the integration of environmental concerns into the development process.

However, critics argue that enforcement of these laws remains weak, and there is often a lack of political will to tackle environmental issues in the face of economic interests. Many social movements in India have raised their

<sup>293</sup> India Briefing, Micro, Small, and Medium Enterprises in India – An explainer, INDIA BRIEFING NEWS (2023), <https://www.india-briefing.com/news/micro-small-medium-enterprises-india-explainer-17887.html/> (last visited Mar. 5, 2025).

<sup>294</sup> Effects of Globalization on the Environment, BUSINESS INSIGHTS BLOG (2021), <https://online.hbs.edu/blog/post/globalization-effects-on-environment> (last visited Mar. 5, 2025).



voices against the environmental consequences of globalisation, particularly regarding the displacement of indigenous communities, the destruction of ecosystems, and the negative impacts of large-scale industrialisation. These movements advocate for stronger environmental protection laws, stricter regulation of industries, and greater transparency in policymaking.

### CONCLUSION

Globalisation has undeniably transformed the Indian economy, ushering in a period of rapid growth, increased trade integration, and technological advancement. However, this transformation has also brought to the forefront the stark reality of widening income inequality. While metropolitan cities and skilled professionals have benefitted immensely from global economic integration, large segments of the population—particularly those in rural areas and the informal sector—have experienced limited or uneven gains. This growing disparity underlines the complex duality of globalisation in India: prosperity for some, exclusion for others.

The structural shift from agriculture to services, without a proportionate expansion in manufacturing or job creation, has contributed to a phenomenon often referred to as "jobless growth." The labor market has become increasingly segmented, with high-paying opportunities concentrated among the educated and digitally skilled, while informal and low-wage employment continues to dominate for the rest. Additionally, regional disparities between developed and underdeveloped states have intensified, further fragmenting the socio-economic fabric of the country.

Addressing income inequality in the context of globalisation requires a multi-pronged approach. Policymakers must focus on inclusive development strategies that promote equitable access to quality education, healthcare, and digital infrastructure. Strengthening social safety nets, formalizing the informal sector, and

enhancing skill development initiatives are essential to bridge the income and opportunity gaps. Moreover, region-specific policies tailored to local needs can help ensure more balanced growth across states.

In conclusion, while globalisation presents significant opportunities for economic advancement, its long-term success in India hinges on the ability to create a more inclusive and equitable growth model. Without deliberate and sustained efforts to address the underlying causes of inequality, the promise of globalisation will remain unfulfilled for a large segment of the Indian population.