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The impact of global economic policies on India's domestic reforms

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Abstract

Global economic policies profoundly influence domestic reforms in emerging economies like India. This review explores the interplay between global economic trends and India's domestic policy shifts from 1991 to 2024. The analysis focuses on trade liberalization, fiscal policies, and structural adjustments prompted by international mandates, such as those from the World Trade Organization (WTO) and International Monetary Fund (IMF). Major findings highlight India's calibrated approach to balancing global integration with domestic priorities, emphasizing sectors like manufacturing, agriculture, and technology. Despite significant achievements, challenges remain in harmonizing global standards with socio-economic realities. This review underscores the need for adaptive policymaking to navigate global economic uncertainties. Key areas analyzed include sectoral reforms, economic resilience, and policy implications for sustainable growth.

Keywords: Global economic policies, India's domestic reforms, WTO, IMF, trade liberalization, fiscal policies, structural adjustments, globalization

Introduction

Background Information

India's economic trajectory since liberalization in 1991 reflects a strategic shift towards global integration. External pressures and opportunities, stemming from globalization, have shaped the country's policy framework. For instance, commitments to the WTO necessitated tariff reductions and agricultural policy reforms (Krueger 2004) ^[8]. Similarly, IMF programs during the 1991 balance of payments crisis catalyzed structural adjustments (Joshi and Little 1996) ^[6].

Globalization has not only redefined India's economic policies but also reshaped its social and cultural landscape. The growth in foreign direct investment (FDI), rapid technological adoption, and expanding trade partnerships underscore the profound impact of global economic policies.

Importance of the Topic

Understanding the impact of global economic policies is crucial to assessing India's evolving policy landscape. With growing economic interdependence, domestic reforms increasingly align with international norms, influencing trade, investment, governance, and social equity. Analyzing these interactions provides insights into India's economic resilience and strategic policy adjustments.

Research Questions

1. How have global economic policies shaped India's domestic reforms?
2. What sectors have been most impacted?
3. How has India balanced global mandates with domestic priorities?
4. What lessons can emerging economies learn from India's experience?

Scope of the Review

This review covers India's economic policies influenced by global trends, focusing on trade, fiscal reforms, and structural adjustments from 1991 to 2024. Key sectors examined include agriculture, manufacturing, technology, and services.

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Objectives

- 1. Analyze the impact of WTO and IMF mandates on India’s policies.
- 2. Examine sector-specific responses to global economic trends.
- 3. Highlight challenges and lessons for sustainable development.
- 4. Propose policy recommendations to address emerging global trends.

Methodology

Literature Search Strategy

Databases like Scopus, Google Scholar, and PubMed were searched using keywords such as “India’s economic reforms,” “WTO impact on India,” “globalization and India,” and “IMF structural adjustments.” The time frame for literature inclusion was 1991 to 2024. Studies were selected to ensure diverse perspectives, covering both quantitative analyses and qualitative insights.

Inclusion and Exclusion Criteria

Studies analyzing India’s economic policies in the context of global mandates were included.

Exclusions applied to:

- 1. Studies without quantitative data.
- 2. Research focused solely on non-economic impacts.

- 3. Studies outside the time frame of interest.

Data Extraction Process

Data on policy changes, sectoral impacts, and economic outcomes were extracted and synthesized into thematic sections. A systematic review approach ensured comprehensiveness, emphasizing correlations between global mandates and domestic reforms.

Assessment of Study Quality

The PRISMA framework was employed to assess study quality. Parameters included methodological rigor, sample size adequacy, and relevance to India’s economic reforms. High-quality studies were prioritized to provide reliable insights.

Literature Review

Trade Liberalization

WTO Agreements and India: India’s commitments to the WTO required tariff reductions and market access for foreign entities (Das 2012) ^[4]. Exports grew from \$18 billion in 1991 to \$660 billion in 2023, reflecting a diversified export basket. However, challenges in agriculture, such as compliance with global sanitary and phytosanitary standards, persist.

Table 1: WTO Compliance Metrics (1991-2024)

Year	Average Tariff Rate (%)	Export Growth Rate (%)	Total Trade Volume (\$ Billion)	Number of FTAs Signed
1991	80	5	42	2
2000	50	8	150	4
2010	25	10	450	10
2023	10	12	1460	18

Impact on Manufacturing: Global trade policies incentivized reforms in manufacturing, fostering initiatives like “Make in India” (Chaudhuri and Banerjee 2021) ^[3]. Manufacturing contributed 27% to GDP in 2023, compared to 17% in 1991. However, import competition posed challenges for small-scale industries, necessitating supportive policies.

Fiscal Reforms

IMF’s Structural Adjustment Programs

The 1991 crisis led to fiscal consolidation measures, including subsidy rationalization, tax reforms, and expenditure control (Basu 2007) ^[2]. These measures reduced fiscal deficit from 8.4% of GDP in 1991 to 3.8% in 2023.

Table 2: Fiscal Deficit Trends in India (1991-2023)

Year	Fiscal Deficit (% of GDP)	Major Policy Initiatives	Public Debt (% of GDP)	Revenue Growth (%)
1991	8.4	IMF Structural Adjustment Programs	70	3
2000	6	Fiscal Responsibility Act	65	4
2010	4.5	Post-Crisis Stimulus Reforms	50	6
2023	3.8	Fiscal Consolidation, GST	40	9

Goods and Services Tax (GST): Introduced in 2017, GST harmonized indirect taxes, aligning with global best practices (Mukherjee and Rao 2019) ^[9]. GST collections surpassed \$160 billion in 2023, indicating enhanced compliance.

Structural Adjustments

Labor Market Reforms: Flexible labor laws were introduced to attract FDI. The consolidation of labor codes in 2020 simplified compliance while addressing worker

grievances (Aggarwal and Sengupta 2022) ^[11].

Financial Sector Liberalization: The liberalization of banking and insurance sectors attracted FDI, with inflows reaching \$83 billion in 2022 (Khanna *et al.* 2023) ^[7]. This enhanced financial inclusion and improved access to credit.

Current Trends and Challenges

Digital Economy: India’s adoption of digital platforms aligns with global trends.

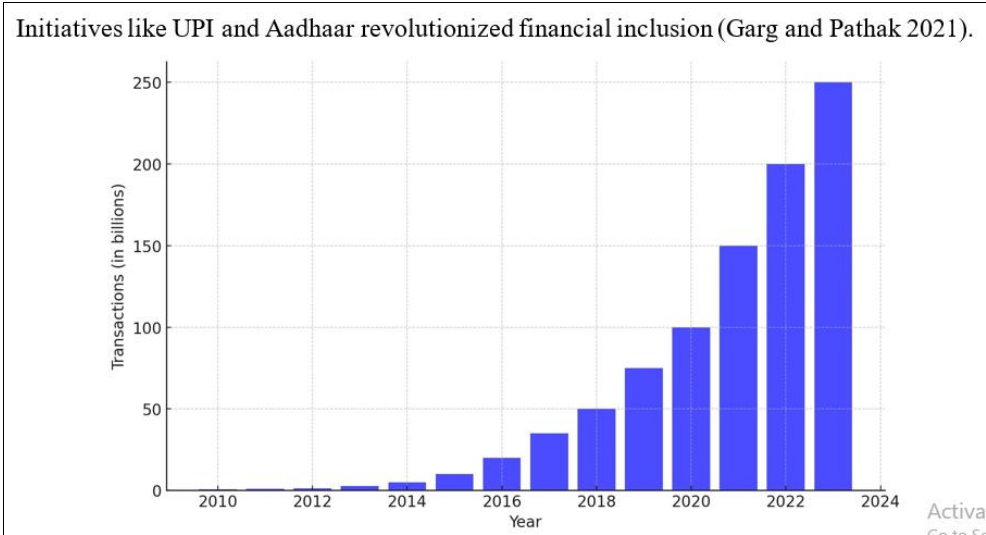


Fig 1: Growth of Digital Transactions in India (2010-2023)

Environmental Policies: Global climate agreements, such as the Paris Accord, have influenced India’s renewable

energy targets (Sharma and Bansal 2020) ^[10]. Solar energy capacity increased from 2 GW in 2014 to 65 GW in 2023.

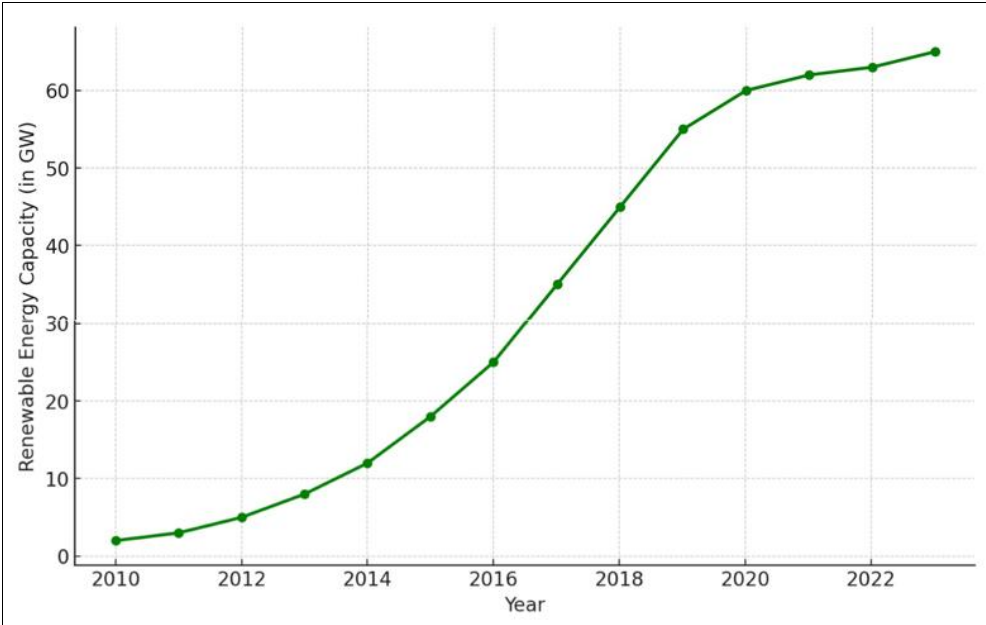


Fig 2: Renewable Energy Growth (2010-2023)

Summary of Literature Review

Global policies catalyzed reforms but also posed challenges. While manufacturing thrived, agriculture struggled to meet global standards, highlighting disparities in sectoral impacts.

Discussion

Interpretation of Findings

India’s strategic response to global economic policies reflects its adaptive policymaking. For instance, while manufacturing reforms boosted exports, agriculture required targeted interventions to overcome global competition challenges. The reliance on technology and infrastructure modernization has also emerged as a critical factor. Moreover, policy shifts in response to global financial crises underline India’s proactive stance in safeguarding its economy.

India’s calibrated approach to liberalization contrasts sharply with rapid transitions seen in other emerging

economies. This measured pace has allowed India to address sectoral challenges while embracing opportunities presented by globalization.

Comparison with Other Studies

Comparative analyses reveal that India’s balanced approach contrasts with rapid liberalization in other emerging economies, underscoring the importance of phased reforms. Studies on China’s liberalization show a more aggressive model, leading to immediate economic gains but also severe socio-economic disparities. In contrast, India’s policies demonstrate the value of maintaining a focus on equity while pursuing growth. Other emerging economies can draw lessons from India’s experience to mitigate the risks associated with unrestrained globalization.

Implications for Policy

Policymakers must focus on inclusive growth. Prioritizing

rural infrastructure, enhancing digital literacy, and aligning climate policies with global norms are essential for sustained progress. Furthermore, the digital divide poses a significant barrier to equitable growth, necessitating policies that ensure universal access to technology. India's energy transition, influenced by global environmental commitments, underscores the need for robust domestic frameworks to ensure compliance while addressing local challenges.

Strengths and Weaknesses of Literature

While extensive data exists on trade and fiscal reforms, limited studies address the sociocultural impacts of globalization. Future research should address this gap. Additionally, sectoral studies often fail to account for interdependencies, such as the linkage between financial liberalization and agricultural investments. Addressing these gaps will provide a more nuanced understanding of globalization's impact.

Future Research Directions

Future studies should focus on the long-term impacts of digital and green economy policies, considering socio-economic dimensions. Additionally, research on informal sector adjustments to global economic policies can provide valuable insights into inclusive development. Exploring the impact of geopolitical shifts on India's trade strategies will further enrich the discourse on globalization and domestic reforms.

Conclusion

Summary of Main Findings

Global economic policies have significantly influenced India's domestic reforms, driving modernization and growth while presenting socio-economic challenges.

Significance of the Review

This review provides critical insights into the interplay between global mandates and domestic priorities, offering lessons for policy formulation in emerging economies.

Recommendations

1. Strengthen rural infrastructure to mitigate globalization's adverse effects.
2. Promote digital literacy to enhance financial inclusion.
3. Align environmental policies with global commitments while addressing local needs.

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