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On The Occasion of Centenary Birth Anniversary Year of
Hon. Dr. Shankarraoji Chavan
&
Silver Jubilee Years of Globalization of Indian Economy
A One Day National Level Conference
On

# GLOBALIZATION & ITS IMPACT ON INDIAN ECONOMY (GIIE 2020)

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**Yeshwant Mahavidyalaya, Nanded**
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# AN OVERVIEW OF INDIAN AGRICULTURE SECTOR IN THE ERA OF GLOBALIZATION

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**Abstract**

*The term globalization refers to International Integration. It includes opening up of world trade, development of advanced means of communication, internationalization of financial markets, growing importance of MNC's, population migrations and more generally increased mobility of persons, goods, services, capital, data and ideas. It is a process through which the diverse world is unified into a single society. In short it is a creation of world into a global village. It is the recent concept that has come to govern the world since end of the 20$^{th}$ century with the end of the cold war and melting down of Soviet Union. The need of structural changes in various world economies, dominance of market related economies, growing importance of private resources and capital and pressure of world bank and other International organizations like IMF ( International Monetary Fund) have started this process in many of the developing countries like India. It has brought in new opportunities to developing countries. Greater access to foreign markets, technology transfer, improved productivity and higher living standard are some of the advantages of this process to the countries like India. But it has also creates new challenges like growing inequality across and within nations, volatility in financial market and environmental deteriorations. As Indian is agrarian economy it is wise to know the impact of Globalization on Indian economy. An overview of Indian agricultural sector indicates that globalization did not yield the desired results in India. It has marginally contributing in minimizing poverty, and removing social inequalities. The desired objectives of this process have not been achieved in India. As far agricultural sector is concerned we have seen mixed results in the country. It is clear with the study that agriculture plays key role in the economy. Agriculture employees 59% of Indian population, yet it contribution varies only from 15 to20% of the GDP (Gross Domestic Product). After adoption of globalization in 1991 Indian agriculture growth rate increase but at present the economy condition of the farmers is not satisfactory because input cost is high and output cost is low. Cut off of subsidies are hindering growth of agricultural sector*

***Keywords:*** *Globalization, International integration, agriculture, social inequality, subsidy, International Monetary Fund, Gross Domestic Product.*

**Introduction:**

The term globalization refers to International Integration. It includes opening up of world trade, development of advanced means of communication, internationalization of financial markets, growing importance of MNC's, population migra-

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tions and more generally increased mobility of persons, goods, services, capital, data and ideas. It is a process through which the diverse world is unified into a single society. In short it is a creation of world into a global village. It is the recent concept that has come to govern the world since end of the $20^{th}$ century with the end of the cold war and melting down of Soviet Union. The need of structural changes in various world economies, dominance of market related economies, growing importance of private resources and capital and pressure of world bank and other International organizations like IMF have started this process in many of the developing countries like India. It has brought in new opportunities to developing countries. Greater access to foreign markets, technology transfer, improved productivity and higher living standard are some of the advantages of this process to the countries like India. But it has also creates new challenges like growing inequality across and within nations, volatility in financial market and environmental deteriorations. As Indian is agrarian economy it is wise to know the impact of Globalization on Indian economy.

**Objectives of the Study:**

1) To review prologue of globalization in Indian agriculture.
2) To study positive consequences of globalization on Indian agriculture.
3) To study negative consequences of globalization on Indian agriculture.

**Prologue of globalization in Indian Agriculture**

India entered in the process of globalization by 1991, when there was a severe economic crisis in the country. To overcome the economic crises, India approached the International Monetary Fund for financial assistance. IMF granted such assistance on the condition to make some structural changes and reforms in Indian Economy. In 1994, 124 countries along with India were signed Dankel Proposal, giving the final pass to proposal World Trade Organization (WTO) was established in January 1995. The member countries involved themselves in globalization through WTO. These reforms and changes can be broadly classified into three areas: Liberalization, Privatization and Globalization (LPG). It includes withdrawal of government control of the market, privatize public sector organizations and reduce export subsidies and import barriers to enable free trade. India signed GATT too and opens up its economy to the world market. Initially this process was restrained by the barriers to trade and investment but after liberalizing it, the pace of globalization has speeded up. As India is the country which is known as agrarian economy, it is essential to know that how agricultural sector in the country is connected to this process. Initially the World Trade Agreement of 1994 brought agriculture within its policy framework. The obligations and disciplines incorporated in the agreement which seek to reform trade in agriculture and provide the basis for market-oriented policies on agriculture, relate to the aspects of market access, domestic support, export competition/subsidies, and Trade Related Intellectual Property Rights (TRIPS). Some agreements are made for the simplicity in international dealings. Liberalization created an unprecedented demand in all sectors of trade including agriculture. This demanded pragmatism on the part of Indian Government. With globalization making headway everywhere, Government had to introduce reforms in agricultural sector too. Reforms in agricultural policies were felt necessary for achieving trade liberalization in the agricultural sector (Kumar et. al., 2008).

**General consequences of globalization on Indian agriculture-**

With the operationalization of the provisions of the World Trade Organization, the process of globalization commenced in the major parts of the world. There has always been an air of confusion among the members and non-members of the WTO in assessing the pros and cons of globalization on the health of their economy. The sector which has created the highest number of deliberations in the WTO as well as views and counter-views has been the agriculture, an area of utmost concern for the developed and the developing world alike. India is no exception to it. Better say it has been among few countries in the world spear-heading the campaign against the biased provisions of the WTO concerning agriculture.

Following are consequences of globalization on Indian agriculture.

**A) Positive Consequences**

**1) Availability of modern Agro- technologies**

There is availability of modern agro technologies in pesticides, herbicides, and fertilizers as well as new breeds of high yield crops were employed to increase food production. These technologies included modern implementations in irrigation projects, pesticides, synthetic nitrogen fertilizer and improved crop varieties developed through the conventional, science-based methods available at the time. Use of High Yielding Varieties (HYVs) like IR8 a semi-dwarf rice variety. HYVs significantly outperformed traditional varieties in the presence of adequate irrigation, pesticides, and fertilizers.

**2) Rise in production and productivity**

Due to adoption of HYV technology the production of food grains increased considerably in the country. The production of wheat has increased from 8.8 million tones in 1965-66 to 184 million tones in 1991-92. The productivity of other food grains has increased considerably. It was 71% in case of cereals, 104%for wheat and 52% for paddy over the period 1965-66 and 1989-90.Though the food grain production has increased considerably but the green revolution has no impact on coarse cereals, pulses and few cash corps. In short the gains of green revolution have not been shared equally by all the crops.

**3) Growth of National Income**

Receiving the international market for the agricultural goods of India, there is an increase in farmer's agricultural product. New technology, new seeds, new agriculture practices etc. helped to grow the agricultural product. From the monetary point of view the share of agriculture sector in the economy is raised to 14.5% of the GDP.

**4) New areas employment**

While exporting agricultural products it is necessary to classify the products, its standardization and processing, packing etc. Therefore, after LPG the agro allied industries has created employment in various sector like packing, exporting, standardizing, processing, transportation and cold storage etc. The industries depending on agriculture are stored and it made an

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increase in employments. Agriculture is the biggest unorganized sector of the Indian economy accounting for more than 90% share in the total unorganized labour force. The share of agriculture in total employment stands at 59.1%

**5) Agriculture as a prime moving force**

The growth of agricultural sector in India has correspondent relation with industrial growth and national income in India. It is assumed that 1% increase in the agricultural growth leads to 0.5% increase in the industrial output and 0.7% increase in the national income in India. Especially after LPG the agricultural sector in India is developing rapidly. As a result, the government of India announced agriculture as the prime moving force of the Indian economy in 2002. As per World Trade Organization data, global exports and imports of agricultural and food products in 2012 stood at $1.66 trillion and $1.82 trillion respectively. India's share in this is 2.07 per cent and 1.24 per cent respectively.

**6) Rise in the share in trade**

Because of the conditions of WTO all of the countries get the same opportunities, so there is an increase in the export of agricultural products. According to data provided by World Bank, India's share in exports (goods and services) rose from 0.54%in 1990 to 0.67% within five years after globalization took place i.e. upto 1999. Indian exports rose by 103% during the same period.

**7) Growth of Agro exports**

The prices of agricultural goods are higher in the international market than Indian markets. If the developed countries reduced grants, they have to increase in the prices. So there will be increase in the export in Indian market and if the prices grow, there will be profit. Agricultural products account for 10.23% of the total export income of the economy, while agricultural imports account for just 2.74% of the total imports. Agricultural exports was 33.54 billion $ in the year 2012-13.

**8) Reduction in poverty**

It is also true that globalization is commonly characterized as increasing the gap between the rich and the poor, but it is a matter of looking at poverty in relative terms. India's prior concern is to remove poverty, which is worse than death, and if India makes efforts, globalization can be a key to get rid of it. Moreover, the percentage of people below the poverty line has been decreasing progressively, from 36 percent in 1993-94 to 21.9 percent in 2011-12.

These are some positive consequences of globalization on Indian agriculture. But as far as a developing country like India is concerned the negative consequences are proved as more effective. These are as follows.

**B) Negative Consequences**

**1. Vicious debt trap and farmers suicides**

There is need to examine each of the causes which have led to the current crisis in agricultural sector, and analyze the role that liberalization policies have played. For instance the state of Andhra Pradesh led to the first ever state level agreement with the World Bank, which entailed a loan of USD 830 million in exchange for a series of reforms in his state industry and government .It has implemented the World Bank liberalization policies with great enthusiasm and zest and as result the rate of farmers suicides in the state gone up. The National Sample Survey Organization (NSSO) Report indicates that 1 in 2 farm households are in debt and only 10 per cent of the debt was incurred for non-production purposes. Also, 32.7 per cent of farmers still depend on money lenders. The National Crime Records Bureau (NCRB) reports that between 1997-2005 1, 56,562 farmers committed suicide. Nearly 60% of them took place in the 4 progressive states, viz., Maharashtra, Andhra Pradesh, Karnataka and Madhya Pradesh. More than 20 per cent of suicides have taken place in Karnataka. (Pushap, 2007, Kumaraswamy, 2008) Hence, the experience with liberalization is critical.

**2. Migration of labours**

For the Indian farmer, who is already paralyzed by low productivity and lack of postharvest storage facilities has resulted in heavy loss of produce and revenue. It is only because of low tariff in imports due to liberalized import duties which came as a bombshell. The domestic farmer could not stand the competitiveness of international market, which has resulted in migration of labor from agriculture to other industrial activities.

**3. Lower income of rural farmers**

According to Nobel Prize-winning economist Joseph Stiglitz, Trade agreements now forbid most subsidies excepted for agricultural goods. This depresses incomes of those farmers in the developing countries who do not get subsidies. And since 70 per cent of those in the developing countries depend directly or indirectly on agriculture, this means that the incomes of the developing countries are depressed. But by whatever standard one uses, today's international trading regime is unfair to developing countries. He also pointed out the average European cow gets a subsidy of $ 2 a day (the World Bank measure of poverty); more than half the people in the developing world live on less than that. It appears that it is better to be a cow in Europe than to be a poor person in a developing country

**4) Lessening international competitiveness**

In India 59% of population depend on agriculture. This pressure on agriculture is increasing day by day because of the increasing population. Because of marginal land holding the production cost of Indian farmers is higher as well as the quality and standardization of agro produce is much neglected. Along with this, the curtailment in subsidies and grants has weakened the agricultural sector. On the contrary before the reduction in grants by WTO, developed countries had distributed grants on large scale. They had grown the amount of the grants on large scales in agriculture during 1988-1994. So they have not to face many difficulties if there is a reduction in grants. On this background the farmers are not in a position to compete international market.

**5) Abnormal hike in Fertilizers and Pesticide prices**

Immediately after globalization Indian rupee was devaluate by 25% and Indian crops became very cheap and attractive in the global market, which led Indian farmer for export and encouraged them to shift from growing a mixture of traditional crops to export oriented 'cash crops' like chilli, cotton and tobacco. These need far more inputs of pesticides, fertilizers and water than the traditional crops re-

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quire. It automatically increased Fertilizer and pesticide prices by 300%.

**6) Electricity tariffs have also been increased**

Pre liberalization, subsidized electricity policy helped farmers to keep the costs of production low. The electricity costs increased dramatically when farmers turned to the cultivation of cash crops, which needed more water, hence, more water pumps were needed and there was higher consumption of electricity. Andhra Pradesh being traditionally drought prone, the situation further worsened. In Andhra Pradesh tariff was increased 5 times between 1998 and 2003. This caused huge, unsustainable losses for the Andhra Pradesh State Electricity Board, so it increased the electricity tariff. The fact that only 39% of India's cultivable land is irrigated makes cultivation of cash crops largely unviable, but export oriented liberalization policies and seed companies looking for profits continue to push farmers to the wall.

**7) Price crash**

As per reforms of WTO, Indian government removed import tariffs and duties. Earlier these were working as cushion to protect and encourage domestic producers. By 2001, India completely removed restrictions on imports of almost 1,500 items including food. As a result, cheap imports flooded the market, pushing prices of crops like cotton and pepper down. As a result, most of the farmers committing suicides in Maharashtra were concentrated in the cotton belt till 2003 (after which paddy farmers followed the suicide trend). Similarly, Kerala, which is world renowned for pepper, has suffered as a result of 0% duty on imports of pepper from SAARC countries. Pepper, which sold at Rs.27,000 a quintal in 1998, crashed to Rs.5000 in 2004, a decline of 81%.

**8) Fall in agricultural employment**

In 1951, agriculture provided employment to 72 per cent of the population and contributed 59 per cent of the gross domestic product. However, by 2001 the population depending upon agriculture came to 58 per cent whereas the share of agriculture in the GDP went down drastically to 24 per cent and further to 22 per cent in 2006-07. This has resulted in a lowering the per capita income of the farmers and increasing the rural indebtedness.

**Conclusion:**

An overview of Indian agricultural sector indicates that globalization did not yield the desired results in India. It has marginally contributing in minimizing poverty, and removing social inequalities. The desired objectives of this process have not been achieved in India. As far agricultural sector is concerned we have seen mixed results in the country. It is clear with the study that agriculture plays key role in the economy. Agriculture employees 59% of Indian population, yet it contribution varies only from 15 to20% of the GDP. After adoption globalization in 1991 Indian agriculture growth rate increase but at present the economy condition of the farmers is not satisfactory because input cost is high and output cost is low. Cut off of subsidies are hindering growth of agricultural sector.

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