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Impact of Globalisation and Agricultural Liberalisation on the Condition of Indian Farmers

RAJAT K. SANT
Department of Commerce
Maharaja Agrasen College,
University of Delhi, Delhi
India

Abstract:

Globalisation as a term has gained immense popularity in today's economic scenario and it is the outcome of the blend of liberalisation and privatisation. While liberalising the economy, policy makers should remember that it is agriculture which has the wide potential to determine the fortunes of a vast majority of farmers in India and also make a dent in their poverty. Globalisation means integrating the domestic economy of a country with the world economy. In India, the process of globalisation picked up with the policy reforms of 1991. Globalisation refers to the growing economic interdependence among countries in the world, with regard to technology, capital, information, goods, services etc. This paper explains the meaning of globalisation, the Impact of Liberalisation on the agro sector vis-a-vis the Peasantry of India. This paper is based on secondary data and the views expressed are based on that.

Key words: Liberalisation, globalisation, agriculture, farmers, reforms

Meaning of the Globalisation

Globalisation means different things to different people. According to Deepak Nayyer, "It can be defined, simply, as an expansion of economic activities across political boundaries of nation states. More importantly, perhaps it refers to a process of deepening economic integration, increasing economic openness and growing economic interdependence between countries in the world economy. It is associated not only with a phenomenal spread and volume of cross-border economic transactions, but also with an organisation of economic activities which straddles national boundaries."

As far as the economic activity is concerned, the globalisation process has three channels:

- Trade in goods and services
- Movement of capital
- Flow of finance

Introduction

The introduction of new economic policy reforms in 1991 that were designed to liberalise the economy and integrate it with the world economy has brought about a paradigm shift in Indian economic policy. The condition of the farmers is determined above all by their asset structure, the growth of the economy in general and agriculture in particular, growth in agricultural exports and imports, distribution of gains of growth, availability of farm and non-farm rural development, incidence of rural poverty, food security and nutrition situation. Further, terms of trade of agriculture vis-a-vis the non-agriculture sector in the post-liberalisation period would determine or not whether agriculture was a net beneficiary of the reform process. The Indian economy had entered a path of rapid economy growth right from the beginning of the eighties. There was acceleration in the growth rate of GDP and per capita income after 1991.

One of the saddest features of the growth process is that, despite high growth of overall GDP and per capita income after the launching of economic reforms in 1991, the growth rate of Indian agriculture has decelerated significantly. Despite the fact that agriculture continues to be the largest sector of the economy in terms of employment, declining of the growth in this sector has severe implication for the living standard of agricultural workers - both farmers and agricultural labourers. That agricultural growth has decelerated even after the intuition of policies that were explicitly designed to end discrimination against agriculture and thereby turn the terms of trade in favour of agriculture, poses a question mark on the very rationale of economic reforms.

Objectives

1. To assess the Economic Condition of Indian farmers
2. To examine the ways of the liberalisation of the Indian Economy
3. To study the liberalised trade regime under the WTO and
4. How these affect the fortunes of the Indian Farmers.

Globalisation and Priority Issues for Indian Agriculture

India has expected that, with the dismantling of domestic support in developed countries and widespread reduction in export subsidies by these countries, as a part of their commitment under WTO, market access for Indian agriculture products in developed countries would expand. India has provided increased market access to other countries by effectively dismantling quantitative restrictions during the last few years. To protect the Indian agriculture and Indian farmers from foreign competition, it is therefore imperative for the government to lay down priorities for action.

The following actions are required in the following directions:

- The principles of level playing field, distortion free trade and efficiency require that the high level of subsidy and support in developed countries must be brought down.

- A country which globalises its agricultural sector cannot achieve self-sufficiency in production because of the globalisation in those agricultural commodities in which it has a comparative advantage. For countries like India, with a large population and a low purchasing power, the impact of globalisation on availability of food at relatively lower prices is of concern both politically and ethically.
- Deepak Nayyer and Abhijit Sen have shown that world market prices are liable to more year-to-year fluctuations than domestic prices. Therefore, dismantling of trade barriers is likely to increase volatility of domestic price and farm incomes.
- Rao and Jeromi point to the possibility that globalisation may adversely affect certain areas, some crops and some groups of people.

Steps towards Globalisation

The following are the steps taken towards the globalisation:

Exchange Rate Adjustment and Rupee Convertibility

One of the important steps in this regard is to make its currency fully convertible, i.e. allow it to determine its own exchange rate in the global market without any intervention. This measure has to be led by eliminating of exchange control measures in a time bound manner. The first step towards this is the IMF forced on devaluation of the Indian rupee. By this the government has taken initiative and devaluateed its currency 18-19% in the exchange rate of the rupee on July 1 and 3, 1991.

India achieved full convertibility on current account on August 19, 1994 when the RBI accepted obligations under Article VIII of the IMF, under which India is committed to forsake the use of exchange restrictions on current international transactions.

Import Liberalisation

The government liberalises its import policy through various modes e.g. there is only one negative list and imports of all items not explicitly on the restricted lists are allowed, lowering of import tariffs on all goods and free entry to capital goods, intermediate goods, raw materials and consumer goods into the economy. In the continuous reforms, the 1992-1997 export-import policy allowed the free import of all items including capital goods, except negative list. The supplementary trade policy announced on August 13, 1991 decanalised the import of 20 items.

In addition to the reduction in import duties India, being a member of WTO, committed itself to removing quantitative restrictions in the coming 6 years. In terms of the Agreement arrived at with US, the quantitative restrictions vanishes totally. Moreover, as a part of the Agreement on TRIPs, the Patents Act, 1999, was passed in March 1999 to provide for Exclusive Marketing Rights. This was followed by the adoption of Patents Act, 2002, in May 2002 and by Patents Act, 2005, in March 2005.

Opening up to Foreign Capital

Nowadays, Indian economy opens for foreign investors to attract foreign capital and integrate the economy. In 1991, the government of India announced a specified list of high technology and high investment priority industries wherein automatic permission was granted for FDI up to 51% foreign equity. The limit was raised from 51% to 74% and subsequently to 100% on the automatic route in most sectors to sectorial rules/regulations applicable.

Impact on Growth- Macroeconomic Changes

The Indian economy recorded a notable acceleration in its growth of GDP and per capita income during the post-liberalisation period 1990-91 to 2003-04 as compared with the earlier period of 1980-81 to 1990-91. At 1993-94 constant prices the growth rate of GDP accelerated from about 3.6% per annum during 1950-51 to 1979-80 to 6.1% per annum 1990-91 to 2003-04. Per capita income growth rates also accelerated in the post-reform period. Normally, higher growth of GDP is excepted to percolate and benefit agricultural sector and agricultural workers also through inter-sectorial linkages.

However, the growth of agricultural GDP has a more direct impact on the living standards of the peasantry.

Production of Major Crops and Allied Activities: (1950-51 to 1996-97) (million tonnes)

Crops	1950-51	1970-71	1980-81	1990-91	1996-97
Foodgrains	50.82	108.42	129.59	179.39	199.32
Rice	20.58	42.22	53.63	74.29	81.31
Wheat	6.46	23.83	36.31	55.14	69.27
C. Cereals	15.38	30.55	29.02	32.70	34.28
Pulses	8.41	11.82	10.63	14.26	14.46
Sugarcane	57.05	126.37	154.25	241.05	277.25
Cotton (m.bls)	3.04	4.76	7.01	9.84	14.25
Nine Oilseeds	5.16	9.63	9.37	18.61	24.96
Milk	17.00	21.20	31.60	53.90	68.60
Fish	0.80	1.80	2.40	3.80	5.35

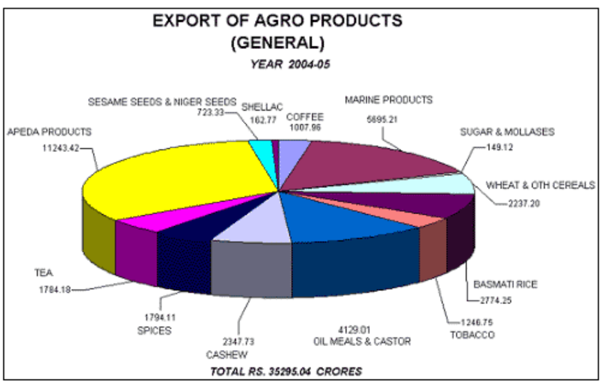
Source: Agricultural Statistics at a Glance, 1997, Min. of Agriculture.

Impact on Exports

It was anticipated that after the introduction of liberalization the Indian economy would see remarkable changes in 1991 and 1995 when WTO came into existence. It would lead to notable increase in agricultural exports which in turn would result in higher income and employment for the people who engaged in agriculture. If we analyze India's trade performance in the post liberalization period of the 1990's we can see that the economy was able to accelerate its exports. The growth rate was very high in 1996-97, but significantly decelerated afterwards.

Some other reasons also contributed to the slowdown in exports and were declining competiveness of the Indian exports because of the huge increase in administered prices of wheat and rice and fall in international prices. International trade has rejuvenated since 2002 and Indian exports have also started increasing. India's export of rice and wheat was of 12.4 million tons during 2002-03 compared with only 2.2 million tons during 2001-02.

Therefore, the Indian farmers did derive substantial gain from exports, despite the fact that India's exports constituted only 5.7% of the value of agricultural output and 6.3% of its GDP during 2003-04.



Export of Agricultural products 2004-05

Impact of Globalisation: positive aspects

- Globalisation is integrating the national economy with that of the world. It is to be realised within a certain time frame. It is based on the utopia of free laissez fair and open global trade.
- In a changing scenario, it makes an effective use of our favourable climatic and soil conditions.
- India has relatively inexpensive, surplus human labour. Every effort will have to be made to raise their efficiency

and adorn them with new and advanced tools and techniques.

- Through modern machines and equipments, the globalisation process can enable the local economy to compete with the developed countries of the world.
- Globalisation emphasizes a better access to reasonably and abundant capital from different parts of the world.
- The country may sometimes have to face problems and difficulties but it will pay in the future.
- In order to stand in the cut throat competition India has to use its vast potential of agriculture in a systematic and planned manner.
- We are able to develop some of the techniques which the developed countries have been using for a long time.
- The use of biotechnology may be one such step. Creation of an unrestricted unified national market for farm products within the country may be another step.

Negative Aspects of Globalization

- There has been deceleration in the agro sector growth. This deceleration is the root cause of the problem of rural distress that reached crises in some parts of the country. Farmers find themselves into the grip of debt due to low farm incomes combining with low prices of output and with lack of credit at reasonable prices. This has led to widespread distress migration.
- Public investment in the agriculture sector, especially in infrastructure which includes irrigation, power, roads, market linkages and research, has been reduced in the reform period.
- Liberalisation has forced the small farmers to compete in a global market where prices of goods have fallen while removal of subsidies has led to increase in the cost of production. This has made farming more expensive.

- Various policy changes, like reduction in import duties on agricultural products, removal of MSP and lifting of quantitative restrictions have increased the threat of international competition to the Indian farmers.
- The export-oriented growth has favoured increased production of cash crops than food grains. This has increased prices of food-grains.

Annual Growth Rates of Real GDP (at factor Cost) by Industry of Origin from 1951-52 to 2004-2005.

Item	1951-52	1961-62	1971-72	1981-82	1991-92	2001-02
1. Agriculture, forestry and fishing, Mining and Quarrying	1.8	0.3	-1.7	3.1	-1.5	5.9
2.Manufacturing, Constructing, Electricity, Gas and Water Supply	4.5	7.1	2.6	7.5	-0.1	2.8
3.(a) Trades, Hotels, Transport and Communication	2.7	6.5	2.3	6.2	2.6	9.2
(b) Financing, Insurance, Real estate and Business services	2.3	4.3	5.2	8.1	10.8	7.3
(c)Public administration, Defence and other services	3.0	4.7	4.5	2.1	2.6	4.1

Source: Economic Survey 2010-11

Conclusion

After analysing the data, there is clear cut visible deceleration of growth in agriculture during the post reform period. It also comes out that the growth of agricultural exports, which boosted up after 1991, slowed down after 1996-97. The deceleration of agricultural growth was also accompanied by a visible deceleration in growth rate of employment. The growth rate of employment in agriculture collapsed to nearly zero.

Finally, there are remarkable changes seen in income terms of trade for agriculture and these did show an improvement during the mid-80s up to 1996-97 but after that they stagnated.

All the data available for consideration shows that the agricultural sector is a lagging sector in the Indian economy and workers engaged in this sector have not been able to derive much benefit from the new economic policies initiated by the government in 1991.

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