

IMPACT OF GLOBALIZATION ON INDIAN AGRICULTURE: AN OVERVIEW OF THE INDIAN ECONOMY

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ABSTRACT

The globalization is the process began in 1991 as a result of new economic policies. The main feature of this economy is that it works at central level and the states have the right to make changes in the central policy depending on their requirements, and they are responsible for making it work. Thus, the new system has changed from command economy to federal economy. Globalization eludes to builds the development of money, inputs, yields, data and science crosswise over inconceivable geographic ranges. Today the word globalization is used in the world-wide development process. It is now possible to purchase or sell necessary commodity in each and every corner of the world only because of the means of communications, development of information technology and transport facilities. Thus, the concept of globalization is 'development'. Globalization refers to the process of integration the domestic economy with the world economy. Globalization refers to integrate the domestic market with world market in the field of trade of goods and services, technology and labor etc. Globalization is the process of movement of capital and flow of finance from one country to other country. Globalization is the new buzz word that has come to dominate the world since the nineties of the last century. Globalization can be simply defined as "The Expansion of Economic activities across political boundaries of native states". Globalization has to increase the movement of finance, inputs, outputs, information and science across vast geographic areas. In Indian context it implies opening up the economy to foreign direct investment and provide entry to Multinational corporations in India. Globalization means an expansion of market from local level to worldwide. Globalization aims at the integration of the Domestic Economy with the Global Economy and the optimum utilization of growth potential. The process of globalization has revolutionized World Agriculture and allied sectors directed to improve the efficiency productivity and cost competitiveness. Globalization has brought in new opportunities to developing countries. Greater access to developed country markets and technology transfer hold out promise improved productivity and higher living standard.

Trade is an essential part of economic development. The establishment of WTO is an important milestone in the history of international trade. India played an important role in establishment of GATT and then in establishment in WTO. India became the member of GATT in 1947 and started to play its part and now it's an active member of WTO, the replacement of GATT, which came into effect on 1st January 1995 in Uruguay Round. India is very favor of governance of international trade which is based on international rules and regulations. It believes that trade will not only benefit its economy but will also benefit all 134 members. When developing countries were liberalizing and expanding their economies, they felt the need for better export opportunities. The W.T.O. provides opportunities to the developing countries to grow and expand their business.

Key Words: Globalization, Agriculture, Economic reform and Indian policies.

INTRODUCTION:

Indian economy had experienced major policy changes in early 1990s. The new economic reform, popularly known as **Liberalization, Privatization and Globalization** (LPG model) aimed at making the Indian economy as fastest growing economy and globally competitive. The series of reforms undertaken with respect to industrial sector, trade as well as financial sector aimed at making the economy more efficient. With the onset of reforms to liberalize the Indian economy in July of 1991, a new chapter has dawned for India and her billion plus population. This period of economic transition has a tremendous impact on the overall economic development of almost all major sectors

of the economy, and its effects over the last decade can hardly be overlooked. Besides, it also marks the advent of the real integration of the Indian economy into the global economy.

This era of reforms has also ushered in a remarkable change in the Indian mindset, as it deviates from the traditional values held since Independence in 1947, such as self-reliance and socialistic policies of economic development, which mainly due to the inward-looking restrictive form of governance, resulted in the isolation, overall backwardness and inefficiency of the economy, amongst a host of other problems. This, despite the fact that India has always the potential to be on the fast track to prosperity. Globalization is a process by which regional economies, societies, and cultures have become integrated through a global network of communication, transportation, and trade. The term is sometimes used to refer specifically to economic globalization: the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology. Globalization as a spatial integration in the sphere of social relations when he said, **“Globalization can be defined as the intensification of worldwide social relations which link distant locations in such a way that local happenings are shaped by events occurring many miles away and vice – versa.”**

Globalization generally means integrating economy of our nation with the world economy. The economic changes initiated have had a dramatic effect on the overall growth of the economy. It also heralded the integration of the Indian economy into the global economy. The Indian economy was in major crisis in 1991 when foreign currency reserves went down to \$1 billion. **Globalization had its impact on various sectors including Agricultural, Industrial, Financial, Health sector and many others.**

NEW ECONOMIC POLICY 1991

- ✓ **Dr. Man Mohan Singh** brought a new policy which is known as **Liberalization, Privatization and Globalization Policy (LPG Policy)** also known as New Economic Policy, 1991 as it was a measure to come out of the crisis that was going on at that time. The following measures were taken to liberalize and globalize the economy:
- ✓ **Devaluation:** The first step towards globalization was taken with the announcement of the devaluation of Indian currency by 18-19 percent against major currencies in the international foreign exchange market. In fact, this measure was taken in order to resolve the BOP crisis.
- ✓ **Disinvestment:** In order to make the process of globalization smooth, privatization and liberalization policies are moving along as well. Under the privatization scheme, most of the public sector undertakings have been/ are being sold to private sector.
- ✓ **Allowing Foreign Direct Investment (FDI):** FDI was allowed in a wide range of sectors such as insurance, defense industries.
- ✓ **NRI Scheme:** The facilities which were available to foreign investors were also given to NRI's.

The New Economic Policy (NEP-1991) introduced changes in the areas of trade policies, monetary & financial policies, fiscal & budgetary policies, and pricing & institutional reforms.

The salient features of NEP-1991 are:

- ❖ Liberalization (internal and external),
- ❖ Extending privatization,
- ❖ Redirecting scarce public sector resources to areas where the private sector is unlikely to enter,
- ❖ Globalization of economy, and
- ❖ Market friendly state.

Agriculture: Economic development of a country is directly related to the growth of agriculture. Agriculture sector provides the employment opportunity to the people. India has also been striving to

develop the country agriculture since independence. Agriculture played a key role in our planned economy with its advantage of low investment and the base of industries.

According to George Washington, "I know of no pursuit in which more real and important services can be rendered to any country than by improving its agriculture, its breeds of useful animals, and other branches of husbandman's cares."

OBJECTIVES:

1. To examine how globalization of agriculture would have an effect on agricultural production, change efficiencies and influence social issues in India.
2. To evaluate whether all resources and appropriate trade models are in use and recommend the one that is most appropriate for the sector.
3. And also assess how promising technologies, value addition and domestic reforms would promote trade and affect efficiencies and recommend solutions for them.

Methodology and Data Sources:

The study is based on the secondary data. The data were collected from various secondary sources such as Economic Survey, Govt. of India, Books, Journals, Articles, Yojana and various websites.

Impacts of Globalization of Indian Agriculture:

Experts believed that globalization will help to balanced development of agricultural sector, changes would occur in the economic conditions of the farmers, agricultural products would get proper prices, employments would be available in agriculture, rural industries, cottage industries, small industries would start and farmers would be happy but this belief is going to be false. According to the policy of WTO India has to reduce import duty by 50% for agricultural goods till 2008. India has to compete in the field of agriculture in future. Also, India has to import 5% of the domestic market. Out of Indian population 25% people still below poverty line and 60% population depend upon agriculture. This proportion in England 2%, in America 3% and in Japan 7% respectively. The share of agricultural income in gross national income in India 23.6%, in Australia 5%, in Canada 4%, America 3% and England 2% respectively. In India 62% of total agricultural land is depending upon rain water. The technical developments cannot make because the possessed area of land is very little. So the production costs are high. The use of chemical fertilizers is very little in India. It is only 84 kg per hectore in India. But it is 266 kg per hectore, in China, 360 kg in Japan, 519 kg in Belgium. In India the amount of loan provided for agriculture is also very little. Loan for agricultural is provided at the rate of 15% to 16% in comparing with the loan provided for vehicles or houses at the rate of 7% to 8%. The field of watered land in India is 38%. In China 52%, Japan 62%, and in Pakistan it is 72%. Also agricultural product in India is very little. India is the first in the production of legumes, second in the production of ground nut. Rice and wheat and third in the production of tobacco. India tea, coffee, rice, wheat, sugar, tobacco, spice, cashew, sesame, oil, fruits, and vegetables, meat and fishes as well as imports legumes, milk products, cashew fruits, edible oil, chicken, seeds, etc. The country import 50-60 lacks tons of edible oil and spends about 15 thousand cores rupees on it. In India out of total produced agricultural goods 2% goods are processed. In Malaysia 80%, America and Brazil 80% Philippine 78% and in Brittan there is 70% goods are processed.

In India out of total agricultural product only 0.32% expense is done on agricultural research. In countries the amount of expenditure on the research is 0.60% and in developed countries it is 7%. It is difficult for India to keep its place in global competition because Indian goods are low quality and standard, it is high in prices and supply of goods is inadequate and unstable. But in countries the field of agricultural is supplied with economical help, quota and right of intellectual wealth Multinational companies are attacking on India's rural areas. In some states lands are handed over to the multinational companies because of liberation. These companies produce cash crops and so that the problem of food can be occur in future. Developed countries are using dumping techniques to keep their superiority in global market. Developed countries are selling their agricultural goods on fewer

prices than the competitor and less than its total production cost. It is causing side effects on the developing countries. According to the agreement of WTO it has been decided that the developed countries should give 5% and developing countries should give 10% grants of total value of their agricultural goods. But the developed countries like America, European countries, Japan, South Korea, Canada are given various grants to the agricultural sector. Developing countries have restriction on their agricultural products like import duties and quota. There is no any limitation on the grants given by developed countries to the farmers through green box and blue box. So, developed countries on very low prices. It effects on the agricultural sector and the farmers of developing countries. Prices of milk, wheat, and maize are coming down in international market because the countries like America and European countries are providing economical help to the farmers. In 2000-2001 Indian government allowed to export 40 lacs tons wheat but in the international market the prices of Indian wheat are very high so India could export only 3 lacs tons of wheat. The chairman of the World Bank once told that “developed countries give 280 to 300 billion dollars as grants when India gives 45780 cores as grants. In India the grants are less than 4% of the value of agricultural goods. But the WTO tells to reduce the grants, for developed countries are not told about grants.

In such conditions it will not be an overstatement to say that the “World Trade Organization” is to be named as “Developed Countries Trade Organization” India has the right to use security shell and to charge more import duty. The 39 member’s countries of WTO used it. India did not use the security shell. If India uses the security shell it will get some of the advantages and if the restrictions on the grants of developed countries and objects of WTO are performed properly, India will stable in the competitive market.

The Positive impacts of globalization on Indian agriculture are as under:

- ❖ **Increase 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 etc. helped to grow the agricultural product.
- ❖ **Increase in employments** – While exporting agricultural products it is necessary to classify the products, its standardization and processing, packing etc. The industries depending on agriculture are stored and it made on increase in employments.
- ❖ **No need to reduce the grants** – According to the condition of agricultural agreement limit for grants is decided 10% of the production value for the developing countries. But the economical grants we are received less than 10% so there is no need of reduction.
- ❖ **Increase 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.
- ❖ **Increase in the export of agricultural goods** – The prices of agricultural goods is 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.

The Negative impacts of globalization on Indian agriculture are as follow:

- ❖ **Grants distributed on large scale by the developed countries** – 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.
- ❖ **Small production field** – In India 60% of population depend on agriculture. The pressure on agriculture is increasing because of the increasing population. Possession of land is small and so the production cost is higher. There is also the problem of standard etc. So there are unfavorable impact occur on Indian agriculture.

- ❖ **Intellectual property right:** - Intellectual property right cause unfavorable impacts on Indian agriculture. Multinational companies can easily enter in the field of agriculture and it will be bad for the margin farmers.
- ❖ **Increasing production expenditure and low cost of goods** – farmers are being bankrupt because of growing production expenditure, costly seeds, on the one side and reducing prices of goods on the other side. He doesn't let out of it and so he is committing suicide. This can be one of the impacts of agricultural agreement.

Economic Impact of globalization in India

- ❖ Multilateral agreements in trade, taking on such new agendas as environmental and social conditions.
- ❖ New multilateral agreements for services, Intellectual properties, communications, and more binding on national governments than any previous agreements.
- ❖ Market economic policies spreading around the world, with greater privatization and liberalization than in earlier decades.
- ❖ Growing global markets in services. People can now execute trade services globally -- from medical advice to software writing to data processing, that could never really be traded before.

Impact on Financial Sector

Reforms of the financial sector constitute the most important component of India's programme towards economic liberalization. The recent economic liberalization measures have opened the door to foreign competitors to enter into our domestic market. Innovation has become a must for survival. Financial intermediaries have come out of their traditional approach and they are ready to assume more credit risks. As a consequence, many innovations have taken place in the global financial sectors which have its own impact on the domestic sector also. The emergences of various financial institutions and regulatory bodies have transformed the financial services sector from being a conservative industry to a very dynamic one.

Impact on Export and Import

India's Export and Import in the year 2001-02 was to the extent of 32,572 and 38,362 million respectively. Many Indian companies have started becoming respectable players in the international scene. Agriculture exports account for about 13 to 18% of total annual of annual export of the country. In 2000-01 Agricultural products valued at more than US \$ 6million were exported from the country 23% of which was contributed by the marine products alone. Marine products in recent years have emerged as the single largest contributor to the total agricultural export from the country accounting for over one fifth of the total agricultural exports. Cereals (mostly basmati rice and non-basmati rice), oil seeds, tea and coffee are the other prominent products each of which accounts for nearly 5 to 10% of the country's total agricultural exports.

Technological & Cultural impact of globalization in India.

- ❖ Access to television grew from 20% of the urban population (1991) to 90% of the urban population (2009). Even in the rural areas satellite television has grown up in market.
- ❖ In the cities Internet facility is everywhere. Extension of internet facilities even to rural areas.
- ❖ Global food chain /restaurants has already found a huge market in the urban areas of India.
- ❖ Lavish Multiplex movie halls, big shopping malls and high rise residential are seen in every city.

Telecommunication and Software Industries are booming in India.

- ❖ Entertainment sector in India has a worldwide market. Bollywood movies are distributed and accepted worldwide. Big international companies (Walt Disney, 20th Century Fox, and Columbia Pictures) are investing on this sector.

- ❖ Famous International brands (Armani, Gucci, Nike, Omega etc.) are investing in the Indian market with the changing of fashion statement of Indians.

Suggestions:

- ❖ **To make growth in basic services-** It is necessary to develop the standard and scope of basic services like domestic roads, harbors, modern means of communication, storages, standard controlling etc. These facilities would be on inspiration for export.
- ❖ **Finance and Electricity Supply** - The electric supply for Indian agriculture is irregular and insufficient. Also there is lack of finance for the agricultural. It effects on the standard of production and the expenditure of production. So it is necessary to apply proper policies to avoid these problems.
- ❖ **Increasing Productions and export** – An implement of import duty is not useful for long time while facing the international competition. Because if India increase import duty, other countries increase their grants. So we have to increase our production and export.
- ❖ **Planning of Production** - It is not good to increase crops only because we get good prices. But it is necessary to plan the growing of crops so that the prices of good produced will not reduce.

Conclusion:

India is involved in the global flow. It is necessary to try for increase the share of agricultural product in exports. It is important to study the problems in the field of agriculture and avoid them. For example, irregular and insufficient supply of electricity, lack of basic services, decrease in production, lack of planning in growing crops, lack of finance, dependence of rain etc. various remedies are to be made for getting proper prices to the products. Processing industries are developed to process on agricultural goods. Farmers should be given training and guidance to start agricultural relating industries. If these remedies are made then Indian Agricultural can excite in the globalization.

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