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Globalization and Its Impact on Indian Agriculture

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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 20th 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. 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 60% of Indian population, yet it contribution varies only from 15 to 20% of the GDP. 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. In the words of Gamani Corea, former Secretary- General, UNCTAD, "Globalization instead of being an equalizing process, has only widened the gap between the two in terms of monopoly in science and technology, flow of capital, access to natural resources, communication and nuclear armament"

KEYWORDS: globalization, Indian, Agriculture, economy, environment, village, population, sector, monopoly, capital

I. INTRODUCTION

Globalisation has had a significant impact on several aspects of the county's economy. However, agriculture in India faltered. Being one of the primary occupations in the rural areas of India, agriculture is of great importance. [1,2] Globalization has had a great impact on him.

The process of contact and integration between individuals, organisations, and governments on a global scale is known as globalisation. Since the 18th century, globalisation has accelerated due to advancements in communications and transportation technologies.

- Due to globalisation, Indian farmers have faced increased difficulties, notably since 1990.
- India is a major producer of spices, jute, coffee, tea, rubber, cotton and rice. However, our agricultural products cannot compete with industrialized nations because of their heavily subsidized agriculture.
- The future of Indian agriculture was in doubt.

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- To make agriculture economical and successful, it should be prioritised to improve the circumstances of small and marginal farmers.[3,4]

Three features characterize competing in the current globalization context:

Cost reductions in one place have immediate impacts in other places

Cost reduction and associated production increase constantly occurs in agriculture, and the pace is accelerating, partly due to the forces of globalization. Thus, lower prices are often rapidly transmitted to producers who have not participated in cost reduction. If they have not experienced cost reduction in other endeavours either, they will experience a decline in income, eventually reverting to minimum subsistence agriculture. All too many of the least-developed countries fall into this category. They become poorer and more food insecure.

Cost reduction largely derives from technological advance

Cost-reducing technological change is the product of applied research, which increasingly depends on constantly advancing basic research. Low-income countries that are not rapidly expanding and improving their agricultural research capacity will not experience cost reductions and hence as others reduce costs, and prices decline, incomes of the non-innovators will decline. Nowhere is this more dramatic than in Africa,[5,6] which has suffered from increasingly efficient production of first oil palm, then cocoa, and now coffee from Asian countries that have been spending on research. Benefiting from research is now far more complex than a few decades ago.

Basic research is moving far faster than ever before, constantly changing the context for applied research. Private firms are responsible for a much larger absolute and relative share of agricultural research than in the past. To benefit from modern biological science, complex relations between low-income and high-income countries must be developed and even more complex relations between private sector and public sector research. The first requisite for benefiting from research externalities is a strong national research system. Rate of return analysis shows that all low-income countries are vastly under-investing in applied agricultural research, particularly Africa. For low-income countries,[7,8] the role of the Consultative Group on International Agricultural Research (CGIAR) should become far more important than in the past as a link to basic research, private sector research and high-income countries.

Well operating markets in low-income countries are concentrated in major cities with reasonably good physical infrastructure and hence at least moderate transaction costs. Undertaking international trade is constantly decreasing in cost. Thus major urban markets in low-income countries are increasingly open to foreign competition. Agricultural production in these countries takes place in rural areas that are frequently deficit in physical infrastructure. Hence foreign sources of competition may face low transport costs while domestic producers in low-income countries may face high transport costs. Such costs are reduced by investment in physical infrastructure - most notably roads, but also communications. However, improved infrastructure also facilitates the movement of imported goods further into the rural economy, posing the threat of increased competition to local production.[9,10]

Globalization has greatly increased the returns to roads and consequently radical to reductions in costs. Rural roads in low-wage, low-income countries can be built with over half the cost in labour and roughly half the cost represented by the food consumed by labour from their wages.

II. DISCUSSION

The impact of agriculture on poverty is indirect is consistent with the three or four year lag noted before the full impact on poverty. That it works through the rural non-farm consumer-goods sector is consistent with the finding that

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agriculture has little impact on poverty decline when land distribution is highly unequal- usually associated with absentee landlords who have quite different consumption patterns from those of peasant farmers.[11,12]

For a major effect on employment, agriculture must grow substantially faster than population growth. If it is to grow at the 4 to 6 percent rates required for achieving employment levels essential to food security, then major components of agriculture must be exported. This will include the traditional bulk exports such as cotton, coffee, tea, oil palm, and non-traditional exports including horticulture. Globalization requires constant reduction in costs through research and its application as well as constantly declining transaction costs through constantly increasing investment in rural infrastructure. Without these a nation cannot compete: it is no accident that it is African nations that suffer the most from declining commodity prices.

Opening the economy to trade and market forces

The benefits of globalization flow from trade. Exports require imports, but trade restrictions tend to drive up the cost of exports through higher costs of vital inputs and technology. Comparative advantage needs to be seen for each component of a supply chain, not just for the final product. Customs inefficiencies and corruption and a myriad other bureaucratic constraints are just as stifling as tariffs and all need to be dealt with. However, opening to global market forces does little good if costs are not being constantly reduced. Put differently, if the result of global forces interacting with domestic investment and policy is to leave comparative advantage with subsistence production, no amount of opening of markets will help.[13,14]

Investing in agricultural research and dissemination

Low-income countries need to invest far more than at present in agricultural research and technology dissemination. Without such investment, opening markets will do little good for agriculture and hence for poverty reduction and food security. Identifying supporting mechanisms such as research and training to minimise the exclusion of small resource poor farmers from value chains is also important.

Facilitating private sector activity

All too often forgotten in these days of removing public sector constraints is the role that the public sector plays in conjunction with the private sector, especially in exports. It is not enough to remove bureaucratic constraints. Private sector investors in low-income countries tend to search for quick turnover, particularly in trade. Initially, governments have to play a role in assisting the private sector by participating in the costs of market analysis, assisting in the development of trade associations that can diagnose needs, developing and enforcing grades and standards, meeting health regulations of high-income importers, diagnosing special niche markets and carrying out analysis of constraints. In the case of most low-income countries, such efforts are sometimes financed by foreign aid programs, in a sense acting as public sector. Such efforts need to facilitate private sector action and gradually low-income countries need to play that role themselves, rather than relying on foreign aid.[15,16]

The impact of globalization on Indian agriculture has been felt since colonial times. Raw cotton and species were important export items from India. In 1917, Indian farmers revolted in Champaran against being forced to grow indigo instead of food grains, in order to supply dye to Britain's flourishing textile industry. Thus, globalization has had its boons and banes for Indian agriculture.

Post liberalization, Indian farmers face new challenges in the form of competition from highly subsidized agriculture of developed nations. This prompts the need of making Indian agriculture successful and profitable by improving the conditions of small and marginal farmers, countering the negative effects of the Green Revolution, developing and promoting organic farming, and diversifying cropping patterns from cereals to high-value crops.[17,18]

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There are positive and negative impacts of globalization on Indian farmers:

Positive impact

- i. New techniques are adopted in farming
- ii. Increase in productivity
- iii. Minimum usage of fertilizer, pesticides, and water
- iv. Fruits, nuts, vegetables which were first imported from foreign countries are now produced at our places and exported which in turn increases foreign exchange
- v. R & D to acquire a position in the world agriculture market
- vi. Establishment of food processing industries, increase in employment
- vii. Minimum wastage of grains, fruits, vegetables as we can adopted techniques from develop country

Negative impact

- i. Less manpower in the field, unemployment in villages
- ii. High cost
- iii. Gap increase between rich and poor farmers
- iv. High cost > high loans > if crop fails > high loss > suicide.

III. RESULTS

There are multiple components of globalization and they are classified as follows:

1. Economic
2. Cultural
3. Political
4. Philosophical
5. Social

Let us discuss the effect of globalization under these components.

Economic effect: As the supermarket structure arrived in India, it is very difficult for the farmers to sustain. Because of cheap export, small traders suffer a lot. Whereas, globalization has given chance to expand the Indian IT and Pharma sector, and also agricultural processed material. While the economy gets foreign currency, thereby to get more foreign reserves, all are kept quiet. We also know that chances to have more development activities is also provided by foreign currency.[19,20]

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Cultural effect: Due to globalization, many people have been attracted towards the western lifestyle. Nowadays, we can notice some significant changes in the expenditure pattern of the public. Savings are very less as compared to consumption. People are eager to buy imported and branded goods that ultimately results in an increase in the current account deficit or causes a trade deficit. According to a study, globalization's cultural aspect is destroying our values and culture. Swami Vivekanand used to say that one should learn science from the west and let them have a deep sense of our rich moral values.

Social aspect: Due to globalization, nuclear families are coming more into the picture. MNC's are set up in metro cities. Small town guys get job in these companies and take a house on rent and then after some time get married. Nowadays, foreign deputation is of high value, which youths cannot resist. But in all these things, he finally loses touch with his parents. Nuclear families are more based on utilitarianism, thus, in case of any dispute, the relationship ends.

Political effect: International organization such as WTO, IMF, and World Bank are interfering in internal matters of a democratic country, which is not always positive. A global accident can affect internal politics. A rise in right-wing leads to the formation of the government. This is a global trend.[12,13]

Philosophical effect: According to the experts, globalization is philosophically defined by liberalism. In 1991, the fall of Russia resulted in rise of the USA. America supports an open market economy. Therefore, Globalization is making most of the leading economies easily penetrable. This is not fair in favor of the poor and needy population.

There are many positive good impacts of globalization such as more consumer-centric services, fall of the caste system, the rise of the middle class, better buying options, more brands, cheap and good shopping deals, etc.

Globalisation has affected farmers all over the world. Corporate globalisation has affected the rural communities in several ways, and the same impacts can be seen in the case of India. Indian Agriculture still continues to affect more than half of the population and the steps taken to improve the sector, has become the cause of the ongoing crisis in the country. The green revolution of the country helped farmers to improve the productivity, but that was totally based on government support, which included, subsidies, price support, credit support and above all the knowledge support.[14,15]

The reforms of 1991, was against the institutional changes in agriculture, rather it was said that opening the Indian Economy to trade will reduce the problems that is faced by the sector in order to increase the agricultural surplus. The reforms weakened the state support provided to the farmers, import tariffs were removed, due to fiscal reforms major subsidies were removed, leading to a high increase in the cost of input and fall in the prices of many commodities leading to a price shock, especially to the small farmers. The public capital in the agricultural sector was reduced and the government regulated markets were treated as a hinderance to the efficient markets. Not only the state support was removed, globalisation has also led to the destruction of the environment and at the same time, has affected the mental and physical health of the farmers across the country. This has also resulted in the surge of the suicides of the farmers, due to the same. If the Neo-liberal policies, especially in agricultural sector are reversed, it will be of huge relief to the small farmers. The 'few' reliefs packages given by government, is just a myopic solution of the situation and the impact will not be reduced until and unless some bold steps are taken by the government to make the post-reform agrarian scenario in India a success.

With this study, an effort has been made to analyse the competitiveness of Indian agriculture in post reform and post WTO periods. It is found from the study that although it was expected that the liberalisation would promote agricultural exports of India; the annual growth rate agricultural export showed something else. If we consider the annual growth rate of agricultural exports, we will notice that the exports of agricultural products from India had reduced drastically in the immediate post reform period (1994-2006). But if we consider the agricultural exports relative to India's total national export, we will see improvement during the same period. Moreover the analysis of the competitiveness of the agricultural products revealed that rice, wheat, maize, tea, cotton were mostly competitive during 1990-2006. However, the oilseeds were not at all competitive during that period. Two factors came out to be mainly responsible for this lower

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competitiveness: they were availability of Palmolive oil in international market at cheap price and scale of diseconomies associated with the oilseed processing industries. It was found that both the compound growth rates of agricultural exports as well as agricultural imports had declined during this period; but the growth rates of Indian agricultural exports declined more sharply than that of agricultural imports.[16]

Many studies in the existing literature as well as relative shares of exports of the agricultural products in total national agricultural exports has revealed that the composition of Indian agricultural exports and imports have undergone a significant change. Food grains including wheat, rice and other cereals, [19] marine products, cotton, meat and preparations, guar gum meals and ground were considered as most competitive agricultural products in the international markets during this period and the shares of these products in the total agricultural exports has also increased considerably in this recent decade. Despite the steady increase in agricultural exports and increasing agricultural trade surplus, the growth rate of output and yield levels have experienced a significant decline in the post-WTO period as compared with the pre WTO period. It is often argued in the existing literature that agricultural export policies have been frequently changed in India to protect the demands of domestic consumers. It has created uncertainty among the farmers and also adversely affected the exports.[17,18]

IV. CONCLUSIONS

Therefore changes in policies will be ineffective or half-hearted unless two fundamental aspects are addressed. Firstly, to whom the priority should be given- farmer or the producer. Second, the poor consumer should not always be given highest priority at the expense of the farmers. The most sustainable way of improving the conditions of Indian agriculture is by increasing investments in productivity enhancing areas of primary sector. Such investments will reduce per unit costs in production and thus will make Indian exports more competitive in the international markets.[20]

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