

**A STUDY ON THE IMPACT OF GLOBALIZATION ON AGRICULTURE  
LABOUR MARKET IN INDIA**

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**ABSTRACT**

Agriculture plays an important role in the process of economic development of developing countries like India. It providing food to nation, agriculture releases labour, provides saving, contributes to market of industrial goods and improved foreign exchange Reserve. Agricultural development is an integral part of overall economic development of the nation. In India, agriculture was the main source of national income and occupation at the time of Independence. India started the process of globalization by 1991, when there was serious economic crisis in the country. India changed its agriculture policies as become the part of globalized world. The process of globalization made changes on both developing and developed nations. This paper tries to examine the dynamism of agricultural policies with respect to globalization in India. Also it tries to explore that the performances of agricultural sector in India and to analyze impact of globalization on agriculture sector and agri-labour market in India.

**Key Words:** Agriculture, Globalization, Agri- Labour Market, Agricultural policies

## INTRODUCTION

Agriculture plays an important role in the process of economic development of developing countries like India. It providing food to nation, agriculture releases labour, provides saving, contributes to market of industrial goods and improved foreign exchange Reserve. As it knows agricultural development is an integral part of overall economic development of the nation. Agriculture was the main source of national income in India and employment at the time of Independence. Agriculture and allied activities contributed to its national income around 50 percent. It also provided jobs to nearly 72 percent of the working population. From this it is clear that Indian economy was a backward and agricultural based economy during the period of Independence. India became the part of globalization from 1991, when there was serious economic crisis in the country. To maintain the economic stability, India approached IMF for financial support. IMF gave financial assistance to make some structural changes and reforms for India's economic stability. In 1994, 124 nations along with India were signed Dunkel draft, giving the final pass to proposal of establishment of WTO and it came into being in January 1995. The member nations involved themselves became the part of globalization through WTO regulations. These reforms can classified into three categories: Liberalization, privatization and globalization commonly known as LPG. It is actually the rules for withdrawal of government control on the market. This LPG tries to privatize the public sector enterprises and reduce export subsidies and import barriers to enable free trade. India was signed GATT too and opens up its economy to the world market through the policy.

After 1951 India has made a good progress in agriculture production. Indian Agriculture sector has registered at the rate of about 2.6 percent per annum in the post-Independence era. The main source of growth in the period of fifties and sixties were expansion of cultivation area, after that the contribution of increased

land area under agricultural production was decreased over time and increase in productivity became the main reason for growth in agricultural production. Another thing in the progress of agriculture is that the success in eradicating of its dependence on imported food grains. Indian agriculture has progressed not only because of its output and yield terms but also in the structural changes have contributed. All of these developments in Indian agriculture are contributed by a series of actions initiated by the Government of India. That was reforming the land, inauguration of new Agricultural Price Commission with objective to secure remunerative prices to farmers, new strategies for agricultural production, investment criteria in research and extension services, widening of credit facilities, and improving rural infrastructure are some of major changes.

#### **REVIEW OF LITERATURE**

**Bhalla and Singh (2001)** stated that the introduction of new kinds of seed, fertilizer & technology during the period of 1960's was a major action that transformed the rural economy of India. During the initial period of the green revolution the High Yield-Variety (HYV) technology was actually confined to Punjab, Haryana and some districts in Western Uttar Pradesh (UP), that means only in North-Western India. This programme's introduction brought about a major changes in the nature and pattern of agricultural development in India. There was a big increase in both the cultivation area and the production of crops resulting in acceleration in growth rates of output in the areas where adopted the new technology.

**Deshpande, Saroj and Sha (2010)** studied the agrarian crisis and farmer's suicide in India. It revealed that the current phase of severe distress in the farm sector is one such phase that came up along with a new turn in development dynamics of the sector in terms of the aggregate policy changes enveloping

globalization and privatization. It also showed that the volume deal with the farmer's suicide in the context of changing scenario and policy response.

**Sekhar(2014)** revealed that India managed to get food combination of technology- policy-institution framework. However, other functions of agriculture, like providing surpluses and forward and backward linkages to non-agricultural sectors have remained unrealized. A policy reorientation to increase rural industrialization and skill improvement of the rural labour force is necessary to move labour out of agriculture and increase productivity in agriculture. A better access of farmers to input and output markets, technology and rural infrastructure are important.

#### **STATEMENT OF THE PROBLEM**

The agriculture history in India dates back to Indus Valley Civilization Era and even before that in some regions of Southern India. India has second rank in worldwide for farm outputs. Agriculture and allied sectors like forestry and fisheries accounted for 15.4 percent of the GDP in 2016 with about 31 percent of the labour force in 2014. India registered first globally with highest net cropped area followed by US and China. But since the introduction of globalization contribution agriculture to India's GDP is steadily declining with the country's broad-based economic growth. Still now, agriculture is demographically the widest economic sector and plays a large significant role in the overall socio-economic fabric of Indian economy. The Indian economy was in major crisis in 1991 when foreign currency reserves fell down to \$1 billion. Globalization had its impact on various sectors including Agricultural, Industrial, Financial, Health sector and many others. The globalization caused to free flow of goods and services across the world. This induced to stabilize the price in the world economy. This price change led to developing countries to loss on their terms of trade. That also made impacts on primary productions in the developing and

under developed countries. This study tries to examine the impact of globalization on Indian agriculture and how that impact is on agricultural- labour market because even now a number of labour forces depend on agricultural sector.

### **OBJECTIVES**

1. To examine the dynamism of agricultural policies with respect to globalization;
2. To study the performances of agricultural sector in India; and
3. To analyze impact of globalization on agriculture sector and agri-labour market in India.

### **METHODOLOGY**

In this study secondary data are to be used. Secondary data includes published books, articles, statistical data published by Government of India, newspapers, journals, reports of ILO, CDS, thesis's, year Books etc.

### **AN OVERVIEW OF AGRICULTURAL POLICIES IN INDIA**

Under this head, it tries to elaborate the policies taken by the government for promoting agricultural development. For the overall development of agriculture sector in India, many institutional and infrastructural changes have been implemented. Broadly, agricultural policy followed during this time can be distinguished in five phases: first phase is from 1947 to mid-sixties, second phase can be considered as the period from mid-sixties to 1980, third phase includes period from 1980 to 1991, and forth phase includes period from 1991 to 2013. Last phase is 2014 onwards. The globalization starts from the fourth phase that is the period from 1991.

Phase I: During the period of independence agricultural policy in India witnessed tremendous agrarian reforms, institutional changes, development of major irrigation project and strengthens of credit institution. The Government of India's land reform policies given the land to the actual cultivators & they abolished intermediaries. This released productive forces and the owner cultivators put in their best to augment production on their holdings. Land reforms were important in increasing agricultural production during this period. It can be say that decentralized planning, Community Development Programme, and the Intensive Area Development Programmes (IADP) were also helped for regenerating Indian agriculture that had stagnated under British rule. In order to encourage the peasants to adopt better technology, incentive price policy adopted in 1964 and the Agricultural Price Commission was framed to advice the Government to set the minimum support prices for agricultural products. However the institutional changes and development programmes are introduced by the Government of India during this phase, the country remained to depend upon foreign countries for food to feed the rising population.

Phase II: In this phase Government of India introduced new agricultural strategies in mid 1965s. The new agricultural strategy relies on high-yielding varieties of crops, multiple cropping patterns, the package approach, modern farm techniques and wide spread of irrigation facilities. The biggest achievement of this strategy has been attainment of self-sufficiency in food grains.

Phase III: This phase in Indian agriculture began in early 1980s. This period is witnessed that the diversification from the growth of food grains to fast growth in non-food grains output like milk, fishery, poultry, vegetables, fruits etc which accelerated growth in agricultural GDP during the 1980s.

Phase IV: The fourth phase is started after the implementation of economic reforms in 1991. Economic reforms involved deregulation, reduced government participation in economic activities, and liberalization. Although there is no any

direct reforms for agriculture but the sector was affected indirectly by devaluation of exchange rate, liberalization of external trade, privatization etc. Opening up of domestic market due to new international trade accord and WTO was another change that affected agriculture in these times. This raised new challenges among policymakers. Due to this, a New Agricultural Policy was introduced by Government of India in July 2000. This aims to attain output growth rate of 4 percent per year in agriculture sector based on efficient use of resource by a sustainable manner and with equity. This is the first time when government introduced a national agriculture policy.

Phase V: This phase is started from 2014 when the period of NDA government & and it is continuing still now. The Narendra Modi-led government announced some of the measures to help the agriculture sector, including Budget announcements to ensure minimum support price and a price-deficiency payment mechanism. The rural economy is hobbled by slower agricultural growth. The rural economy has also had to contend with slower rural wage growth, particularly because of sluggish construction activity, which accounts for the largest chunk of rural non-farm employment. Rural dissent can be politically challenging. The government also announced a number of short and medium-term measures, including a Budget announcement to secure minimum support price and a price-deficiency payment mechanism in the country. These are still works in progress. The shocks of demonetization and the Good and Services Tax are dissipating but they impacted the agriculture sector after 2016.

### **AN OVER VIEW OF PERFORMANCES OF AGRICULTURE SINCE 1951**

The performance of Indian agriculture can be analyzed by the agricultural production and productivity trends. The agricultural production has to components- food grains and Non-food grains. The former contributes

approximately two thirds of total agricultural production. The trends in agricultural production and productivity are presented in the following table.

**Table-1 Trends Agricultural Production 1950-51 to 2007-12**  
(Average Growth Rate)

Crop	1950-51	1 <sup>st</sup> FY P	2 <sup>nd</sup> FY P	3 <sup>rd</sup> FY P	4 <sup>th</sup> FY P	5 <sup>th</sup> FY P	6 <sup>th</sup> FYP	7 <sup>th</sup> FY P	8 <sup>th</sup> FY P	9 <sup>th</sup> FY P	10 <sup>th</sup> FY P	11 <sup>th</sup> FY P
Rice	20.6	25	30	35.1	41.8	47.3	54.5	65.1	78.7	87.3	85.6	97.3
Wheat	6.4	7.9	9.7	11.1	25.4	29.8	41.2	48.3	62.9	71.3	70.2	84
Jowar	5.5	7.5	8.7	8.8	8.3	10.8	11.3	10.9	10.7	7.9	7.2	7.0
Bajra	2.2	3.4	3.4	3.9	6	5	6	5.2	6.7	7.1	8.2	9.2
Maize	1.7	2.7	3.6	4.6	6.1	6.3	7.3	7.6	9.8	11.6	14	19
Other cereals	6.1	6.6	6.5	6.3	6.4	7.1	6.0	5.4	4.9	4.5	3.6	4.0
pulses	8.4	10.1	11.7	11.1	10.9	11.7	11.8	12.5	13.3	13.1	13.3	15
Total food grains	50.8	63.2	74.0	81.0	103.0	118.1	138.1	155.0	189.0	202.9	202.2	237.4
Oil seeds	6.2	5.5	6.7	7.3	8.3	8.9	11.4	13.9	21.9	21.2	23.2	28

sugarcane	57.1	55.3	80.3	109.2	128.1	153.3	174.919	258.4	292.4	277.0	325.8	341.2
cotton	3.0	3.9	4.8	5.4	5.9	6.8	7.5	8.4	12.2	10.8	16.0	28
Jute	3.3	3.9	4.4	5.7	5.5	5.2	6.4	8.9	8.1	9.6	10.1	10.3

Source: Sixth five year plan 1980-85, Govt of India, Economic Survey,1988-89, Economic Survey 1992-93, economic survey 1998-99,2007-08,2014-15

From the above table it can summarize that the total food production increased from 50.8 million tons in 1950-51 to 187.0 million tons in the eighth plan (annual average) and further to 202.9 million tons in the ninth plan. The food grain output in the eleventh plan rose to 237.4 million tons and it touched the record level of 264.8 million tons in 2013-14 (Economic Survey 2014-15). We can categorize the table into two parts viz the period before Third FYP and the period after Third FYP. Because, India has introduced so many policies which have resulted as Green Revolution during 1960s. During the period of green revolution overall agriculture production has been increased. Production of wheat which averaged only 9.7 million tons per annum in the second plan and 11.1 in the third plan was rose to 25 million tons in the fourth plan and so on. The wheat production touched the record level of 95.9 million tons in 2013-14(Economic Survey 2014-15). Because of high productivity of the highbred seeds, the overall productivity of food grains has risen considerably in recent times. In the case of cotton during 1950-51 the annual average was 3 and it raised to 3.9 in first FYP and 6.8 in fifth FYP then 28 in eleventh FYP. The production of sugarcane was started with 57.7 annual average and 341.2 during the period of eleventh FYP. Like that oil seed also showing an increasing annual average rate because during the period of 195-51 annual average was 6.2 then it rose to 28 in the period of eleventh plan. From

the table we can see that an increasing trend of all the agricultural outputs since the period of green revolution. The agriculture sector's contribution to the Gross Domestic Product (GDP) decreased from 54 percent in 1950-51 to 15.4 percent in 2015-16, while that of the services sector increased from 30% to 53 percent. It can be seen that the agriculture sector's contribution to GDP has decreased over the past few decade; the contribution of sectors such as manufacturing (employing 10.5 percent of the population) and services (employing 24.4 percent of the population) has increased.

### **IMPACT OF GLOBALIZATION ON INDIAN AGRICULTURE AND AGRI-LABOUR MARKET**

Now a day agricultural can be considered as an industry and has an impact on every citizen of the country, either directly or indirectly. Like any other sector, agriculture sector also its own set of challenges, among some of them are very critical and impeding. As also the globalization made more negative impacts on the agriculture sector that also led to labour issues. Let's discuss some of the major problems that India faces in relation to agriculture and its labour.

#### **Vicious debt trap and farmers suicide**

After introducing the globalization policies in India the reports shows that the agri-labours are in a vicious debt trap, due to this the farmers suicide rate is going up. The National Sample Survey Organization (NSSO) Report 2005 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 in India. The National Crime Records Bureau reveals that between 1997-2005 1,56,562 farmers committed suicide allover India. Around 60% of them took place in the 4 progressive states like Maharashtra, Andhra Pradesh, Karnataka and

Madhya Pradesh. More than 20 per cent of suicides have taken place in Karnataka. It is clear from the data that experience with liberalization is critical.

### **Migration of labours**

For the Indian peasants, who is already paralyzed because of low productivity and lack of postharvest storage facilities has led to heavy loss of produce and revenue. It is only because of globalization which forced to lowering tariff in imports which came as a bombshell. So the domestic farm producers could not face the competitiveness of international market, which has resulted in migration of labour from agriculture sector to other industrial activities that also led to lowering agri-production.

### **Lower income of rural farmers**

It is clear that the trade agreements now forbid most subsidies excepted for agricultural goods. This depresses incomes of those cultivators in the developing countries like India 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, the current international trading regime is unfair to developing countries. This is applicable India also.

### **Lessening international competitiveness**

The curtailment in subsidies and grants has weakened the agricultural sector because of WTO agreement. On the contrary before the reduction in grants by WTO, developed countries had distributed grants on large scale. They grow 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. Furthermore, on this background the farmers are not in a position to compete international market.

**Abnormal hike in fertilizers and pesticide prices**

After the globalization immediately Indian rupee was devaluated by 25 percent and Indian crops became very cheap rate 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 chilly, cotton and tobacco. These need far more inputs of pesticides, fertilizers and water than the traditional crops require. It automatically gone up fertilizer and pesticide prices by 300 percent.

**Price crash**

As the agreement with WTO, Indian government removed tariffs and duties for its imports. Earlier those were working as cushion to protect and encourage domestic production. But by 2001, India completely removed restrictions constraints 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 fell down. As a result, most of the cultivators committing suicides in Maharashtra were concentrated in the cotton belt till 2003 (after which paddy farmers followed the suicide trend). Like that, Kerala, which is world famous 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, fell down to Rs.5000 in 2004, a decline of 81 percent. It is also in the case of rubber. These price crashes push the labour unemployed.

**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 is resulted in a lowering the per capita income of the farmers and increasing the rural indebtedness.

### **Conclusion**

From the study we can conclude that since Independence India's agricultural performance is an upward trend especially from mid-1960 that's the starting of Green Revolution. The contribution of Indian agriculture to the total GDP and population depending on agriculture for occupation shows a downward trend. That means the agriculture production and productivity has been increased. Then the other sectors like Industry and service came to more dominates to contribute total GDP of India. It is true that the globalization process gave many positive impacts on Indian agricultural sector. Apart from those positive impacts this paper could found that there are negative impacts made by the globalization on Indian agriculture sector and also agri-labour market in India. It also found that the globalization improved the economic development in India but on the same time it raised the price of pesticides and fertilizers that caused the farmers into crisis. The farmers are always in a vicious debt trap which forced them to commit suicide. Some of the studies could found that the agriculture labours are moving to other industrial works because the lack of employment opportunities in agriculture sector. The globalization also destroys the rural agricultural labour market because now a day agricultural products are more competitive due to the globalization which pull downs the product price. So the process of globalization is not much better for developing countries like India especially in agricultural sector.

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1. To study the impact of globalization on Indian economy. 2. To analyse the Economic performance and growth of India due to globalization. The Important Reform Processes. The Important Reform Processes (Step Towards liberalisation privatisation and Globalisation). created significant opportunities for manufacturing, agriculture, service sectors and many others. Besides, there has been significant inflow of foreign investments in to India. The challenges of. globalisation lies not in stopping the expansion of global market, but in setting rules and. institutions for better governance at local, national, regional and global levels. Further Against this backdrop, this study aims to estimate the impact of globalization on labor share. The research questions are twofold. First, what are the impacts of trade and FDI on labor share? Second, how do the effects differ, if any, between developed and developing countries? Studies on the globalization-labor share nexus in advanced economies are generally supportive of the Heckscher-Ohlin model. Using a panel of 18 OECD countries from 1983 to 2002, Jaumotte and Tytell (2007) found significant impact of globalization on. 2. ADBI Working Paper 639. Wan and Doan. Since both agriculture and services were relatively more labor-intensive, industrialization may lead to lower labor share. Table 1 reports summary statistics and defines the variables used. Table 1: Summary Statistics.