

LIBERALIZATION, PRIVATIZATION, GLOBALIZATION (LPG) AND ITS EFFECT ON INDIAN AGRICULTURE

HARPREET KAUR SANDHU

DEPARTMENT OF ECONOMICS,
PUNJABI UNIVERSITY,
PATIALA 147 002, PUNJAB, INDIA

ABSTRACT

In this paper, an overview of liberalization, privatization, globalization and particularly its effect/impact on rural India during past two decades is presented. It is also clearly reflected in this agrarian economy the effect on peasantry has been quite negative agriculture growth have been near standstill share in GDP is constantly decreased. Rural urban rich and poor gap is also widened

Introduction

India is commonly called rural India as more than 70% of its population still lives in villages (approximately six lakhs). At the time of liberalizing Indian economy it was much higher nearly 80% every year, this figure have been going down because of migration of people from rural to urban areas as urban areas have more facilities rather easy living comparative to villages. Now, other major attribute of India is that it is traditional agriculture dependent country *viz.* food grains rather than other diversified means of livelihood in rural population. Traditional agriculture according to one estimate employed 53% of population and thus was contributing significantly to nations GDP (see data given below **Table 1**) but after liberalization agricultural share in GDP have been constantly shrinking. This drop is evidently because of contribution to economy from other non-agriculture sectors (<http://business.mapsofindia.com/india-gdp/sectorwise/>). A typical example is given here for the year 2008 GDP \$1.209 trillion sector-wise contribution was as agriculture - 17.2%, industry - 29.1%, and services - 53%. As per government estimates Gross Capital Formation (GCF) is increased. As one sees this shrinking GDP share, the agricultural growth is also not improving rather is constantly felling down in 2004-2005 it was 4.5 percent, in 2008-2009 it is down to 1.6 percent. So, by now our agriculture production is reached near saturation point and is coming at a standstill situation. When this picture is there now then question mark comes to mind, 'why liberalization was necessary?' which lead to this point particularly, in agriculture sector (Narindra, 2012). But it has to be carried on because of pressurizing circumstances as country was facing severe economic crunch virtually it was at the brink of bankruptcy in early 1991, there was not enough foreign exchange either for importing essential goods or to pay back any liabilities.

Other point of relevance is we knew very well, countries those who did earlier this experiment more or less faced similar situation but at the same time they had several other

related business/activity

Liberalization, Privatization, Globalization (LPG):

India has to approach International Monetary Fund (IMF) for financial assistance for 'structural adjustment' in fact it is usual terminology adopted for such loan and government virtually entered into new regime of economic reforms and these reforms are broadly called as Liberalization, Privatization, Globalization (LPG) and certainly there were conditions attached with this loan. But when sees it in actual practice, it was to effect the entire country and total population, which now stands at more than one billion (Dhanaseeli, 2003).

Privatization means to reduce government spending, private partnership be done and further some non-productive public sector undertaking be sold or government share to be reduced.

Liberalization means reduce trade barriers and overall opening of our country as a closed type of system opening to rest of the world which means encouraging Multinational Companies (MNC) to India viz. industrialization of our country (Narindra, 2012; Gupta, 1993.).

Effect/Impact of LPG:

Aim of this article is to see how all this effected Indian agriculture. Also, major contributing factor to effect Indian agriculture was reduction of import-export restrictions also during National Democratic Alliance (NDA) rule virtually following conditions were laid down. This was done keeping in view of stagnation if it can be contained if cheaper food grains were imported naturally. Indian production was supposed to compete with world markets. So, stagnation in traditional agriculture was visible as Indian farmer community is not as skilled as over the rest of the world as inputs there were cheap and mechanization of whole agriculture system is in place.

With liberalization many any foreign companies came to India selling cheaper seeds and fertilizers thus effecting the total indigenous production. Our rural population was also needed to have as much knowledge as our other neighbors had like education and awareness of the rest of the world viz. demand and consumption *etc.* like a modern businessman/trader, rather our rural population is yet to change the mindset in this changed global scenario. So, following advisory seemed useful which was issued by World Bank maybe it was originated from the fact of our neighborer China followed these steps (as given below) and succeeded well in developing their economy.

- 1) Those crops that do not give much profit should be reduced. It is necessary to increase the production of export-oriented crops, and the import of food grains.
- 2) Indian agriculture should be able to compete with foreign countries.
- 3) Government subsidies should be reduced to a minimum on fertilizers, water, seeds and in loan allotments; and should be lifted totally in due course.
- 4) There should be no restrictions on indigenous agricultural exports.
- 5) There should be no restrictions on the import of foreign agricultural products.
- 6) Should remove the FCI's (Food Corporation of India's) responsibility in purchasing, transporting and preserving paddy, wheat and rice; entrusting it to private enterprises.

Adverse Effect of LPG on Indian Farmers:

Overall meaning of these guidelines is opening the agriculture sector to the developed world and removal of import-export restrictions were also favorable to the developed countries as Indian market would be flooded with imported cheaper commodities and evidently, this all was unfavorable to Indian farmers these factors lead to great misery and distress to Indian peasantry (Pohare, (2011). As a result of these hardships and uneconomical agriculture farmers were indebted so deep that they could never come out of debt circle and finally ended their lives by committing suicides (see **Table 2**). For whole country figures, Punjab alone figures are also very high state of agriculture seems to be gloomy.

As per a latest report in Punjab (Vasdev, 2012) which is leading farming state and is called grain bowl of the country, three farmers kill selves every two days estimated 5000 farmers and farm laborers in the past decade (The Tribune Chandigarh, May 29, 2012). Most effected district being Sangrur and Bathinda. Further, 38% of these persons were of the prime age of 38 or so. For the whole country, the chart below presents the clear picture Maharashtra still leading the list.

Table 2. FARM SUICIDES IN INDIA & 5 WORST-HIT STATES (1995-2011)

Year	Maharashtra	Andhra Pradesh	Karnataka	Madhya Pradesh* Chhattisgarh*	early Total for big 5	early Total All-India Farm Suicides	Big 5 States as % of all farm suicides
1995	1083	196	2490	1239	6008	7020	6.04
1996	1981	706	2011	1809	7507	7329	4.68
1997	1917	1097	1832	2390	7236	7362	3.12
1998	2409	813	1883	2278	8383	76015	2.34
1999	2423	974	2379	2654	9430	76082	8.64

000	3022	1	26	2660	9	1	5
	525	30		837	6603	9.25	
001	3536	1	25	2824	1	1	6
	509	05		0374	6415	3.20	
002	3695	1	23	2578	1	1	5
	896	40		0509	7971	8.48	
total	2006	1	16	18432	6	1	5
6	2716	070		9284	21157	7.19	
003	3836	1	26	2511	1	1	6
	800	78		0825	7164	3.07	
004	4147	2	19	3033	1	1	6
	666	63		1809	8241	4.74	
005	3926	2	18	2660	1	1	6
	490	83		0959	7131	3.97	
006	4453	2	17	2858	1	1	6
	607	20		1638	7060	8.22	
007	4238	1	21	2856	1	1	6
	797	35		1026	6632	6.29	
008	3802	2	17	3152	1	1	6
	105	37		0796	6196	6.66	
009	2872	2	22	3197	1	1	6
	414	82		0765	7368	1.98	
010	3141	2	25	2363	1	1	6
	525	85		0614	5964	6.49	
011	3337	2	21	1326*	8	1	6
	206	00	*	969	4027	3.94	
total	3375	2	19	23956	9	1	6
2	0610	083		7401	49783	5.03	

T	53818	3	371	42	1	2	
total 1995- 2011		3326	53	388	66685	70940	1.52

If we include Chhattisgarh's 2011 figure not as 'zero' but as 1555 based on the preceding five-year average.

2	3337	2	210	28	1	1	
011#		206	0	81	0524	5582	7.54

T	33752	2	190	25	9	1	
total 2003- 11		0610	83	511	8956	51338	5.39

T	53818	3	371	43	1	2	
total 1995- 2010		3326	53	943	68240	72495	1.74

Source Table derived from national crime records Burtou reports from 1995 to 2011.

*It is not possible to disaggregate MP and Chhattisgrah data for the years they were an undivided state. So their numbers are taken together here.

**2011: Chhattisgrah figure is 0.

#With Chhattisgrah figure taken as average of 2006 to 2010 period is 1555.

Indian government had to act in many ways to initiate several schemes to help the rural poor if above given conditions/suggestions were to be followed to some extent .So herein, we shall analyze withdrawal of subsidies in a phased manner and their impact also the implementation of the last clause. The clear meaning of all these could be if one draws simple meaning opening agricultural sector to foreign countries and the present author feels this was clear birth to agrarian crisis and also deep rooted urban rural divide which is undoubtedly reaching a climax in the country. Now to have clear picture it would be most important to have glance on subsidies.

Causes of hardships, Subsidies withdrawals etc.:

Subsidies in Developed Countries:

There is a group 24 countries, which falls under the category of developed World these countries spent huge amount for example in year 2001 spent 327 billion (Aspects of India's Economy No.: 32 Jan, 2002) this article further states in rice crop itself the support is to the tune of 80%. Similar is the case of other crops like wheat, corn, sugar and others.

Average subsidy per farmer in USA is Rs 23650 per farmer per hectare. This amount if seen in the context of Indian farmers it is much above the total value of India's agriculture. In contrast our country has to constantly withdraw subsidies which lead to hardships and present situation of distress as well making agriculture as highly unattractive for economical reasons. This withdrawal of subsidies was also one of the conditions under liberalization regime. Keeping in view excessive use of farm inputs in Punjab and other states and also keeping in view subsidy withdrawals condition Indian government is likely to give free hand to importers for prices. This freedom has been quite disturbing and leading to price rise this pinch is felt even states like Tamil Nadu See the following extract: Under the Nutrient Based Subsidy scheme, fertilizer manufacturers and importers are free to fix the sale price of fertilizers based on the costs (The Hindu Business Line, June 27, 2012). Following is gist of letter written by Tamil Nadu CM Fertilizer prices have gone up two or three times under this scheme. Since April 2012, the retail price of a 50 kg bag of Diammonium Phosphate (DAP) has increased to Rs 1,200 from Rs 910; and Muriate of Potash (MOP) to Rs 840 from Rs 231. The price of complex fertiliser, 10:26:26 has increased to Rs 1,110 from Rs 374 and that of 20:20:0:13 to Rs 858 from Rs 327. For the current year, the Fertiliser Department has reduced the subsidy on DAP to Rs 14,350 from Rs 19,763 last year and for MOP to Rs 14,400 from Rs 16,054. It is also considering further cuts in subsidy and a 10 per cent hike in urea prices are also envisaged, the Chief Minister said. The State Government has absorbed some of the impact of the price hike by doing away with the 4 per cent VAT on fertilisers and pesticides from July 2011. However, the Centre which dictates the policy has to support the farmers to make agriculture remunerative. Tamil Nadu needs 28 lakh tonnes of fertilisers annually. Timely supply of adequate quantity is a concern. There was a shortfall of 1.1 lakh tonnes of MOP for the 'kharif' season in 2011 and short supply of 33,967 tonnes of DAP and 1.37 lakh tonnes of urea during the 'samba' season (August-November) 2011. The State Government had taken timely steps to enable food grains production of 103.85 lakh tonnes in 2011-12. Fertilizer supply continues to be "dismal in the current financial year also," she said. The DAP requirement for April to May was 48,000 tones but fertilizer firms supplied 20,603 tonnes, which is less than half the quantity needed. In June, the allocation of DAP was just 23,000 tonnes against the requirement of 30,000 tones. (The Hindu Business Line, June 27, 2012) Even much deeper is Punjab formers position as in some Districts of Punjab incidence of cancer have reached alarming proportion. Price rise have made agriculture has highly unprofitable this have also lead to disinterest in farming according to recent surveys more than 40% have a Under the Nutrient Based Subsidy scheme, fertilizer manufacturers and importers are free to fix the sale price of fertilizers based on the costs. Fertilizer prices have gone up two or three times under this scheme. Since April 2012, the retail price of a 50 kg bag of Diammonium Phosphate (DAP) has increased to Rs 1,200 from Rs 910; and Muriate of Potash (MOP) to Rs 840 from Rs 231. The price of complex fertilizer, 10:26:26 has increased to Rs 1,110 from Rs 374 and that of 20:20:0:13 to Rs 858 from Rs 327. For the current year, the Fertilizer Department has reduced the subsidy on DAP to Rs 14,350 from Rs 19,763 last year and for MOP to Rs 14,400 from Rs 16,054. It is also considering further cuts in subsidy and a 10 per cent hike

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These factors have increased rural misery and large amount of indebtedness in the rural areas

Indebtedness of Farmers:

Rural financial system especially agricultural related has more than five decades history while examining it, Sir Malcolm Darling stated in 1925 "Indian peasant is born in debt, lives in debt & dies in debt". This statement about farmer's indebtedness/ agrarian crisis apparently stays even now. This is evident from farmer suicides from time to time and as highlighted by noted economists of the country. In this brief account several steps for improvements are taken by government from time to time are discussed including constraints etc. with the objective of increasing productivity and uplift of life style of rural poor and save the precious lives and also attract agriculturalist to institutional credit rather going in for non institutional one. For easy supply of money there is large net work banking system around one lakh are primary agricultural societies apart from large no, of scheduled commercial banks and large no of private banks Even in last week government have passed bill to open more banks in private sector to follow the slogan bank for all and now the ADHAR card yojna through which bank account opening would be a simplified process the whole idea behind the move is to see all citizen of this country have the bank accounts

Latest National Sample Survey (NSSO) report on ineptness indicates of 89.35 millions farmer's households about 43.42 million i.e. around 50% are in debt (The Indian Express, 2011). In this list Andhra Pradesh is at the top where about 49.49 lakhs or 82% are

estimated to be in debt subsequently other states are Tamil Nadu (74.5%), Punjab (65.4%), Kerla (64.4%), Maharashtra (54.8%). This situation is in spite of the fact government has started many helpful schemes like agriculture Debt waiver and debt relief scheme, under this scheme i. e. waiver/debt relief to the amount of 3.369 crores and farmers nearly 65318.33 crore were assisted but the fact remained many targeted people could not avail these also since they did not have bank accounts This fact also came to light to when govt constituted a committee to look into effectiveness of these schemes. It is worth mentioning here per household Punjab is most indebted state its debt is around 40000 crores out of this nearly 15000 crore is non-institutional credit which is always at a high rate of interest like 30-40%. It is understood Punjab state lives more luxurious life than others. It has excess number of Tractors than needed it also prominently figure in case of luxurious cars and other pose livings from these figures it may become clear that in this state money borrowed is being used on unproductive items.

In attempt of reducing debt burden of rural poor farmers and self help group (SHG) 2008-2009 debt waiver and debt relief scheme was announced by Union Finance Ministry with a condition of land holding for waiver and relief and applicable to institutional credit. In another attempt to reduce the misery of farmers another scheme was introduced wherein 50% of the defaulter loan from non institutional one banks are lending promptly to farmers for paying back (for detail see ET 13 Aug.2010) to money lenders. This also remained less effective as many farmers did not have bank accounts. Why all this clearly it was known fact liberalization has not uplifted the rural poor

For healthcare of village poor Punjab CM have recently announced fast implementation of Bhai Ghanaya Scheme for healthcare of farmers (Harpreet Kaur, 2010, The Tribune (Punjabi)).

Widening gap of rich and poor urban and rural divide

Though there is different measure of poverty from country to country within India also there is much difference in official figures and unofficial figures However as per one estimate India is likely to have a third of world's poor according to world bank estimates 33% Indians fall below the poverty line. The opening of market/liberalization had some positive effect on middle class or upper class but on rural public it had bad effects one such case is that of Andhra Pradesh and that of a village therein (Mehta, 2004) Monsanto co. there propagated Bt cotton which required high level pesticides and fertilizers which poor villagers used after taking loans and could not return after falling in debt trap many of them ended their lives in this situation (Stone, 2002; Qayum, 2002). Excessive use of pesticides and fertilizers is well known health hazard.

Problem looks simpler of this divide, FDI have mostly benefitted IT sector telecommunication export oriented industries including pharmaceuticals sector mainly contract research organizations which employed cheap skilled workers available in this country in short all this fall in the category service sector, Certainly this left unskilled rural poor to reap any benefit this apparently widened the gap of urbanites versus rural.

So solution to this was only to have investment in agriculture sector by developing more innovative production techniques improved seeds water management etc which has not

taken place Unlike China India did economic reforms only which more or less remained at urban level money mostly had gone to unproductive areas like real estate gold purchases some portion of later is productive one via exports in form of jewelry but that is very small portion (Pani, 2012).

Conclusions

As one sees in still 70% population lives in villages to see improvement of this section production oriented industries is the need that too which can employ rurals killed laborers and this should also based on rural product available like milk based and diversification of agriculture. Primarily Punjab needs to come out of the circle of paddy and wheat, There is enough scope for horticulture fisheries and not only this potato tomato based industries could be set up emphasis on IT sector alone may not go a long way but if carried with will it can make some impact. Govt. of India ever since it started with liberalization imitated many programmers of societal upliftment nearly these are about two dozens it seems government is realizing it is not reaching the targeted people and very recently have announced cash transfer impact of this would be seen after some times. Finally author feels India should emerge as production hub and intensive industrial country this is likely to some extent solve the problem.

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