

## **The Impact of Liberalization, Privatization and Globalization on Indian**

### **Economy with reference to the Agriculture Sector**

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#### **ABSTRACT**

The impact of Liberalization, Privatization, and globalization on the agriculture sector has a huge impact on agriculture production and markets. The 70% of the Indian population is directly dependent on the agriculture sector. Approximately half of the Indian population involved in the agriculture sector directly or indirectly. Thus agriculture sector is essential for the socio-economic development in the country. In the globalization era, the Indian agriculture sectors have much development including the farmer's standard of living, food security and increasing of the agriculture sector's income. Due to the government policy of liberalization in the economic sector, there are also increasing foreign direct investment, smoothness of the business doing condition and fasten off the national economy and raising in national incomes. This study attempts to understand the concept of liberalization, privatization and globalization and its impact on the Indian economy particularly in the agriculture sector from the year 2014 to 2018. The agriculture sector performance is due to the changing of the economic system and the changing of the socio-economic environment. Yet, the government of India also tries to make sustainable in the agriculture sector thus policy intervention and budget expenditure is also increasing as compare to previous years. Thus, the Agriculture sector is put as prioritizing so that the socio-economic condition will be better.

*Keywords: Liberalization, Privatization, Globalization, Indian Economy and Agriculture*

## **Introduction**

After independence in 1947, economic policies were a primary role to promote Indian economic development. The economic reforms in India started in 1991. Redefined for a new "state – market mix" while India had been a mixed economy since independence. India's economic reforms began in 1991 when a newly elected Congress government and facing an unprecedented severe balance of payments crisis. On July 23, 1991, India's economic reforms were initiated and adopted Liberalization, Privatization and Globalization (LPG) models for redefining the economic policy was adopted to facilitate and recover the economic recession condition. The process of reforms in India if precisely lays out that liberalization shows the reforms the structure, privatization shows the way of reform and globalization shows the ultimate goal of the reform. The concept of liberalization origin was in the political ideology "liberalism". The concept was the tool of a breakdown of feudalism and growth of the market or capitalist society which was popular connotation in economic as its root word liberalism. The pro-market or pro-capitalistic tendency in the economic policies liberalization. The concept of privatization has initiated in the decades of the 1980s to 1990s by the governments particularly in the USA and UK under the inspiration of the New Right priorities and beliefs. Privatization at that time was used as the transferring of the government assets to the private sector. Meaning of privatization sense and lexically means de-nationalization which refers to the transfer of the state ownership of the assets to the private sectors. The concept of globalization in economic terms "an increasing in economic integration among nations". It means unrestricted cross border movements of technologies, financial resources, goods, and services, etc.

This research paper principally focuses on how liberalization, privatization, and globalization has been shaping the Indian economy especially in the agriculture sector from the period of 2014 to 2018. The agriculture sector now accounts for 14 percent of gross domestic product (GDP) and it is still one of the major sources of livelihood for the majority of the rural population of Indian.

The rapid growth of agriculture is critical for inclusiveness. Significantly, changing of structural and taking place within the sector and there are definite signs of improvement in performance. The agriculture's share has been falling in the country's gross income, while the

industrial and services sector's shares have been increasing constantly. But from the livelihood standpoint, still, 48 percent of the people depend on the agriculture sector. The agriculture sector is one of the important sectors that the government put prioritize to promote the living standard and equal distribution of wealth and to enhance economic development. This dissertation paper presents the agriculture sector development in terms of agriculture markets, exportation, percentage of agriculture contribution to gross domestic product and market mechanism.

## **Research Methodology**

The research paper was conducted by descriptive parameter forms of research approach and articulated in terms of quantity which is based on empirical evidence. The study was based on descriptive parameter base on secondary data. Secondary Data refers to the data collected from the books, Internet, magazines, journals, annual report of the Government or international organization, newspapers, different types of research papers.

## **Objectives of the study**

The purpose of the study is to understand the impact of liberalization, privatization, and globalization on the Indian economy which emphasizes the agriculture sector.

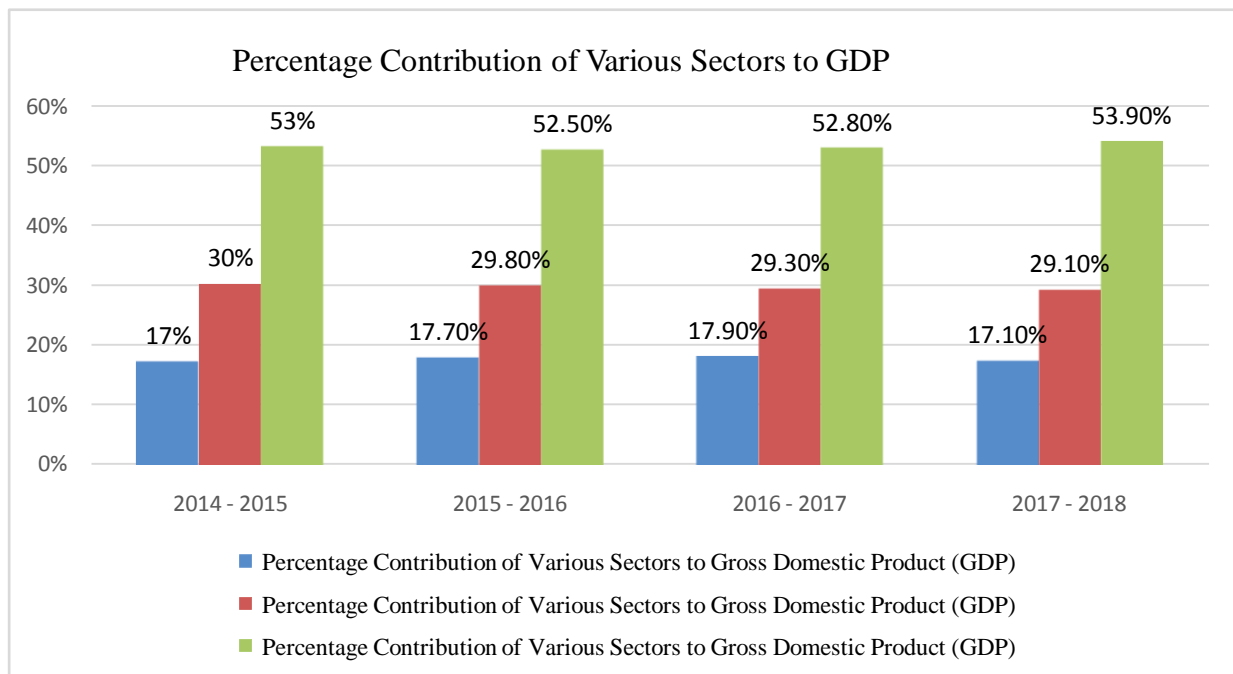
In the agriculture sector, especially focus on the following:

- To measure the agriculture sector contributions to gross domestic product (GDP)
- To reveal agriculture exportation and its market
- To examine the workforce distribution in the economic sectors
- To access foreign direct investment in India economy
- To understand the challenges of the agriculture sector

## Finding

### Contribution of Various Sectors to Gross Domestic Product (GDP)

Gross domestic product refers to the market value of final goods and services produced in an economy in a given period.



### Sector-wide share of contribution to Gross Domestic Product (GDP)

**Figure (1.1)** Source: Ministry of Finance, Government of India

As shown in figure (1.1), the percentage of agriculture and allied sector represent 17 percent and industries sector represents 30 percent while services sector takes account 53 percent in 2014 to 2015. From 2015 to 2016, the agriculture & allied sector, industries sector, and services sector represent 17.7 percent, 29.80 percent, and 52.5 percent respectively. From 2016 to 2017, the agriculture & allied sector represent 17.90 percent, industries sector 29.30 percent and services sector holds 52.80 percent share of the gross domestic product. From 2017 to 2018, the agriculture & allied sector hold 17.10 percent, industries sector took 29.10 percent and services sector took 53.9 percent of the gross domestic product.

### Distribution of Workforce across Economic Sectors

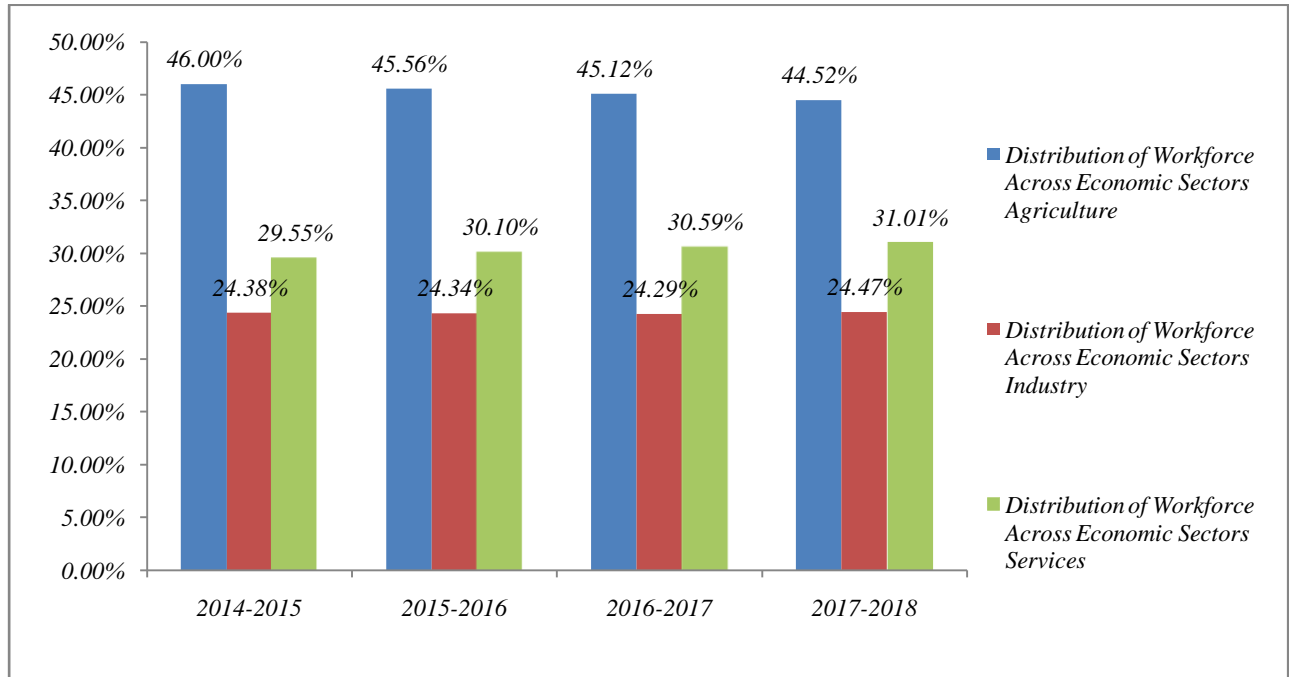
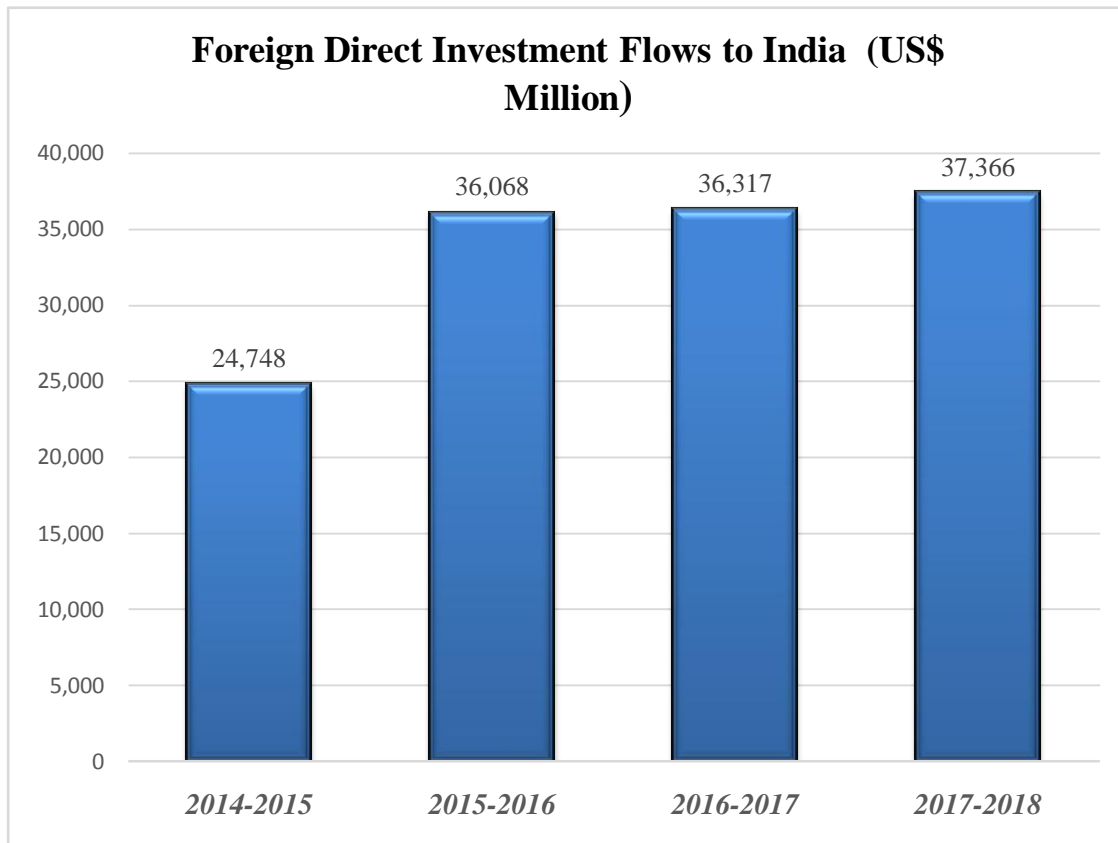


Figure (1.2)Source: Statista.com

Figure (1.2) shows that the agriculture employment rate is 46 percent, Industry employment is 24.38 percent and services sector employment is 29.55 percent in the year 2014 – 2015. From 2015-2016, the agriculture sector employment is 45.56 percent, Industry and Services sector employment is 24 percent 30.10 percent respectively. From the year 2016 – 2017, the agriculture sector, Industry sector, and Services sector are 45.12 percent, 24.29 percent, and 30.59 percent respectively. From 2017-2018, the agriculture sector employment holds 44.52 percent, the Industry and Services sector took account 24.47 percent 31.01 percent respectively. The figure shows that the employees are shifting from the agriculture sector to service sector enterprises approximately 2 percent of the overall workforce from 2014 to 2018. The result shows the employment rate of the agriculture sector is turning down and the service sector employment percentage of the population is increasing.

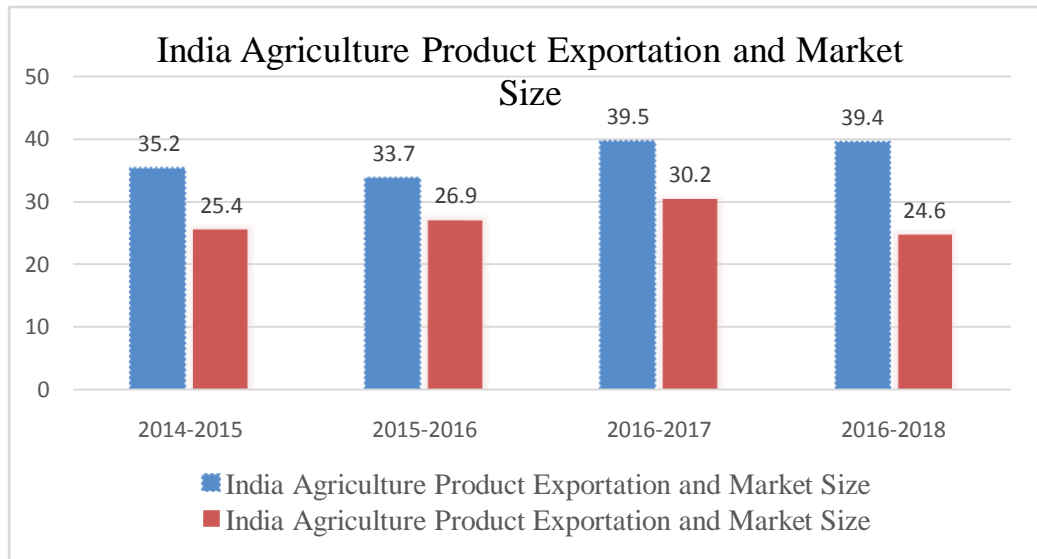
## Foreign Direct Investment Flows to India



**Figure (1.3)** Source: Reserve Bank of India

Foreign direct investment (FDI) is a major source of non-debt financial resource for the economic development of India. Figure (1.5) shows the foreign direct investment in India was increased to 24.748 million to 36.068 million in 2014-2015 and 2015-2016. From the year 2016-207 and 2017-2018, the FDI flowed to India was 36.317 million and 37.366 million respectively. From the year 2014 to 2018, the average foreign investment increased to approximately 126 million.

## Market Size of Indian Agriculture Products



**Figure (1.4)** Source: Director General of Commercial Intelligences Statistic (DGCIS)

The agriculture products export net values in the year 2014 to 2015 were 35.2 billion and the total import value was 25.4 billion. From 2015 to 2016, the agriculture export value was 33.7 billion and import value was 26.9 billion which means approximately 1 percent declined exportation as compare to the previous year. From 2016 to 2017, the agriculture exports value reached 39.5 billion whereas the import value was 30.2 billion and as of 2018 to 2019 of total export value was 39.4 billion and net imports were 24.6 billion as shown in figure (1.4). Comparison of agriculture trade from the years of 2014 to 2015 and 2017 to 2018, there were approximately 2 million trade surpluses in agriculture sectors.

## **Suggestion**

Agro-economy is imperative sector that government should put as a priority to enhance the rural living standard and socio-economic improvement in the country. Approximately, over half of the population depends on agriculture sector, arable land area is quite large as compare to world top agriculture exporting countries. India agriculture sector development's potential is considerably achievable by adopting some perspectives mention as following.

- Take any necessary measurement for amelioration in agriculture sector by formulating of trade exporting policy which supposed to be effected from the grass root level in the agriculture society.
- Promotion of the agriculture export performance with reducing of trade related barrier such as tariff and non-tariff to the agriculture product exports by ensuring export products of food quality, safety and health-related problems.
- To improve the agriculture sector, the government should create eco-agriculture system where easy to access to credit, technology and market. IT and biotech conducive to transform agriculture in raising of its production volume and outputs.
- Providing proper guideline policy for unique, indigenous and organic, traditional and non-traditional agriculture products export so that the export volume will increased.
- Providing of an institutional mechanism for accessing international agriculture market in broader extent.
- The government should closely works with the agricultural institutions and share good agriculture practices from the farming condition so that the production of agriculture product will be qualify to export.



## **Conclusion**

The Agro-economy is one of the most important sectors of the India economy but agriculture sector performance has been declining discernibly. The eradication of poverty was the biggest challenge of the government thus this environment force to change the way the establishment of the state. Due to the changing of economic structure, the workforce population is shifting from the agriculture sector to the services and industries sector as shown in figure (1.2). According to statistic time, the contribution of the agriculture sector in the Indian economy is much higher than the world's average (6.4%). The contribution of the industry and services sector is lower than the world's average 30 percent for the Industry sector and 63 percent for the services sector. India is a diverse agriculture product producing country and ranked as the world's leading producer of cereals, milk, fruits, vegetables, sugar, spices and seafood product. But according to the export.gov.t released data as of 2019, due to lack of the basic storage infrastructure which causes approximately loss of up to 40 percent of the agriculture products. Agriculture and horticulture outputs record growth yet crop yields are still lower compared to the global average which is depends on many factors such as unsettle monsoons, poor in soil fertility, inefficiency in food distribution system, lack of infrastructure and awareness in the utility of the modern agriculture practices and technology. Therefore, the suggested solutions are possibly conducive to grow agriculture sectors and socio-economic development.

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