

Globalization and the Changing Dynamics of Rural India

Vikas Singh

Assistant Professor, R.M.P. PG College, Sitapur (U.P.)

Abstract

Globalization has made a lot of changes in rural India, which has changed the economic, social, and cultural arrangements of the place. This paper will analyse how neoliberal policies and liberalization of the economy has affected rural India starting with the reforms of 1980s. Such reforms have effectively integrated India into the world economy but they have played a major role in benefitting the urban middle classes and economic elites with the rural areas getting more marginalized.

This paper follows the historical precedents of the rural transformation, such as the colonial depiction of Indian villages being resilient and fixed on their own means. After the Indian state gained independence, the land reforms and the Green Revolution were adopted to cope with agricultural stagnation and boost rural improvement. Although such developments led to increased agricultural output, they also contributed to social inequality, population destruction of the environment, and rural-urban migration.

Keywords - Structural adjustment, Market economy, village republic, class conflict, Agrarian social structure, Rural transformation, Cultural homogenisation

Introduction

India's tryst with economic liberalization led globalization started with the structural Change in the Indian economy, which were implemented in mid 1980s under the Congress government, led by Rajiv Gandhi. These structural changes led to further liberalization of regulations and state controls. The Budget of 1985 introduced a suite of economic reforms aimed at addressing a looming fiscal crisis. These reforms included reductions in corporate, wealth and income taxes, tax breaks for exporters and relaxed licensing restrictions on investments in various industries. The government of the day, attempted to emulate the successful economies of Asia particularly South Korea. (Corbidge and Harris 2013)

These liberalization measures have disproportionately benefited the middle class and the ellipse of the Indian economy. According to Prabhat Patnaik (1995) the liberalization of the Indian economy has enabled the Indian elite to become global in nature and scope which was not possible in the pre-liberalization phase of the Indian economy.

One of the most visible consequences of the policies of economic reform was the emergence of the consumer goods economy. With the loosening of licensing regulations, it was possible to import the technology and machines for producing the consumer goods.

The crisis of 1991 and second phase of economic liberalization- In the 1980's Indian economy was grappling with a significant fiscal crisis, characterized by a widening gap between Government expenditure and revenue. This imbalance was exacerbated by persistent

fiscal deficits, which were primarily financed through borrowings. Concurrently the country faced a current account deficit, indicating that imports exceeded export, leading to increased external debt, which was required to finance the imports. The combination of these deficits resulted in a rapid accumulation of both internal and external debt. Despite the clear warning signs of a looming/impending debt crisis, the government adopted populist policies, neglecting necessary fiscal reforms. This shortsighted approach contributed to the worsening economic situation (Nayyar & Bhaduri 1996).

During the 1980s, there was a sort of unwillingness shown by the state for domestic resource mobilization as the direct tax rates were progressively reduced, while indirect taxes, which already contributed about three-fourths of the total tax revenue, could not be raised much further. In the early 1990s, India confronted a confluence of economic challenges that culminated in a significant rise in external debt burden of the nation. The liberalization of trade regime in 1970 and new industrial policy in the mid 1980s taken together, created incentives for industrialisation, which encouraged imports disproportionately and increased the import intensity of industrial production in general leading to a deterioration in national trade balance. The later half of the decade witnessed a surge in import of expensive weapon systems, which was primarily financed through foreign borrowing, which further worsened the external debt crisis (Nayyar 2016). Despite these efforts, export performance of the Indian economy remained relatively modest, failing to generate sufficient foreign exchange to offset the growing export bill. Decline in foreign exchange remittances from oil rich Middle Eastern nations compounded these challenges. Government of India's initiative to substitute imports, particularly in the petroleum sector, proved insufficient to address the country's trade deficit.

The cumulative effect of these multiple factors led to a substantial increase in nations' external debt. India's external debt, predominantly consisting of short-term obligations, grew at an alarming rate throughout the decade. This unsustainable trajectory was primarily fuelled by increased defense spending and reliance on foreign borrowing to finance domestic economic activities. The delicate balance between export earnings and debt repayments became increasingly crucial to ensure India's economic stability. As the decade progressed, the nation's economic situation became increasingly precarious. The growing internal debt, coupled with deteriorating trade balance post a significant threat to India's financial sovereignty. The government's ability to service its debt obligation became increasingly dependent on foreign exchange inflows, primarily from exports. India's economic future was inextricably linked to its ability to manage its external debt and improve its trade performance. (Ghosh 2016)

A crisis driven response to the crisis of 1991, the government of India has taken immediate steps for macroeconomic stabilization of the country. This stabilization program was shaped and guided by the economic philosophy of the International Monetary Fund. In 1991, under the supervision of the International monetary fund and World Bank, India adopted a new economic policy, which was characterized by the elements of 'liberalization', 'privatization', and 'globalization'. Two main components of the new liberal economic policies adopted by the Indian State have been the liberalization of India's private sector and reform of the public sector. These measures aim to enhance India's economic integration to the world economy, by reducing trade barriers, promoting foreign investment and facilitating in flow of foreign

technology and skills. In addition, the reform of the public sector was a crucial aspect of India's globalization strategy. The government of India privatized many state-owned enterprises, reducing their role in the national economy and promoting competition among the private and public players.

By implementing these reforms, India sought to integrate its economy with the global market, which was expanding rapidly due to the adoption of neo liberal economic policies by major economies of the world. It was argued by the proponents of market economy that this integration of the Indian economy to the emerging 'world economy' will benefit from the opportunities and challenges that it presents. The easing of restrictions on external trade and investment allowed Indian businesses to access new markets and compete on global scale (Buggi et. al, 2001).

Along with the easing of restrictions on international trade, India has also significantly relaxed regulations related to internal trade. At the same time, India witnessed a considerable loosening of the existing licensing system, (popularly known as license Permit-Raj) especially on private sector firms as well as the lifting of reservations for many products. This liberalization drive resulted in drastic reduction in the subsidies given to fertilizer and agriculture. India witnessed the restructuring of public spending, which included reduction in the allocation of funds for poverty alleviation program, health and education sectors. Liberalization of the Indian economy has not only integrated the global production process, but also across the country internally. There has been massive rapid privatization of publicly owned companies and resources, of the state and community owned resources of hitherto reserved areas like banking and insurance. There has been a deregulation of laws related to labour protection, leading to massive growth of contract labour and subcontracting (Jhabvala and Sinha, 2002).

So, with the liberalization of the economy, the national governments, once primarily responsible for economic, social, cultural and technological policies, are increasingly subject to the influence of the global forces, particularly multilateral bodies and multinational corporations under pressure from these institutions and corporations. Governments have been compelled to restructure their policies related to economy and society. This has led to a greater emphasis on free trade, reduction in government spending on various sectors such as education, healthcare, and public services and dismantling of price controls. The changes have had far-reaching socio-economic, cultural, and political consequences, including a significant impact on the global environment.

One of the most visible and significant shifts, which this economic liberalization led to globalization made possible, has been the increased prominence of free trade agreements. These agreements negotiated between nations often prioritize the interests of global finance, capital and transnational Corporation, leading to decline in tariffs and other trade and finance related barriers. While this can benefit consumers and businesses in some ways, it can also have negative consequences, such as job losses in certain countries and industries and increased economic inequality. Moreover, the massive reduction in government spending on the public sector has had a profound impact on the quality of life for a vast majority of people across the world. With market dictated reduction in public expenditure in areas like healthcare, education and public infrastructure, it became more difficult for individuals and communities to access

essential services, which are required to lead a quality life with dignity. This market led exclusion and marginalization of individuals, caste, class, and communities can lead to increased deprivation and exclusion, resulting in social unrest and violence.

The dismantling of price control regime has also had significant social economic implications. When governments allow the prices of commodities to be determined by the market forces, it can lead to increased costs for consumers, especially for essential goods and services. This can disproportionately affect low-income groups and families. Exacerbating economic inequality. The external consequences of this economic liberalization led globalization have been far-reaching for the countries and societies. The emphasis on the market-led, economic growth and consumerism has led to increased consumption and production, contributing to environmental degradation and global warming and resultant climate change. Globalization has fundamentally transformed the nature of modern society, shifting the primary concerns from traditional class-based conflicts to new global risks (Beck 2009).

Rural India was portrayed in colonial writings as static and self-sufficient entities that have remained unchanged since ancient times. These villages were perceived as isolated communities with no concept of private property or internal class divisions, leading to a presumed absence of social conflict. This idealized view of Indian village was perpetuated by colonial written/academicians who sought to justify British rule and portray Indian society as backward and in need of urgent Western intervention.

19th century, western scholars such as Karl, Marx, and Henry Main accepted these colonial depictions of villages of India as an accurate representation of rural India. They viewed rural India as a unique form of human society, closer to a primitive state, which is trapped in a timeless traditional social order. The colonial perspective of rural India was rightly influenced by the prevailing theories of social evolutionism and belief in western civilizations superiority.

These scholars even praised, British colonial regime for disrupting the traditional Indian social order and thereby enabling them to move on the path of progress. This colonial idea of rural India was even accepted by some educated Indians, including nationalist leaders, who often overlooked the complexities of India's rural life and destructive impact of British rule on its structure.

Jodhka (2023) argues that the colonial idea of rural India was not based on any kind of empirical study or observation of rural lives. Instead, it was largely derived from Orientalist, imagination of rural India and interpretation of select textual sources, mostly accessed through local Brahmin elites. This perspective presented a simplified and misleading view of the complex and diverse reality of Indian villages.

The colonial view of Indian villages was not merely inaccurate, but also served as a justification for colonial conquest. It suggested that British rule was a much-needed intervention for the modernisation of India, Socio culture and political order.

The subsequent empirical socio-historical research of rural India has thoroughly debunked these colonial notions about the Indian villages. Scholars have demonstrated that the pre-colonial rural and agrarian realities were diverse, dynamic and far from stagnant. The popular

assumption of communal land ownership has been rejected, as rights over land were clearly Defined and transferred according to the local customs. Additionally, the diversity of rural settlements and their social structure has been highlighted by the findings of these empirical researches. These findings provide a more precise and advanced understanding of Indian villages, challenging the colonial narratives and its enduring legacy.

India's independence in 1947 marked a significant moment for its villages, which formed the backbone of its agrarian economy. This transition went beyond merely replacing foreign rulers with a native elite. Although India's freedom struggle was primarily led by urban middle class intellectuals, rural masses also actively participated in the movement. In the early 1920s, India witnessed numerous popular peasant movements, some were led by left wing political actors, inspired by socialist ideology while others aligned with the mainstream nationalist politics led by Mahatma Gandhi and other prominent members of Indian national Congress.

This surge in rural unrest brought agrarian issues to the forefront of nationalist movement. These issues became a central topic of discussions during the Indian national Congress' annual sessions leading up to independence. With nearly 85% of Indians residing in rural areas and 75% of the Indian workforce employed in agriculture transforming the rural landscape, emerged as a top priority for the newly independent Indian state, committed to pursuing development through state planning. In the early years after independence "development" was not just an economic strategy, but an ideological cornerstone of the new regions, serving as the primary source of its legitimacy. Despite the transformation in the political system and style of governance of post-Independence, Indian state, The Ground realities and microstructure established during the colonial era persisted. Local actors who had gained power through colonial patronage, continue to hold sway even if a cultivating peasant aspired to work harder and increase productivity, they would not be able to do so because of the prevailing system of land relationship. The Indian state recognised the need to address land relations as a key factor in promoting rural development and economic growth. The prevailing system of land relationship left peasants with no incentive to work harder. This lack of motivation hindered agricultural productivity and overall rural development prospects.

To address this issue, the Indian state initiated a series of land reforms aimed at creating a more conducive environment for economic growth, led rural transformation. These reforms included measures to distribute land, secure tenants' right and improve access to credit and other resources for the rural farmers. Additionally, the state implemented various schemes and programmes designed to support rural development, such as irrigation projects, agricultural extension services and rural infrastructure development. In post-independence India, sociologists, and anthropologists have, through their empirical research of India's countryside, rejected the popular colonial idea/notion of rural India. MN Srinivas, for example, has challenged the binary of 'modern city man' and 'conservative rural peasant'. Srinivas argues that the conservatism of the peasant class was not without reason. His agricultural techniques are prized possession, embodying the experience of centuries. His social and cultural institutions give him a sense of security and permanence (McKim Mamiott 1955).

Indian villages were characterized by a considerable degree of diversity. This diversity was both external as well as internal. Each village had its own unique social structure with various

groups and relationships. This internal complexity was further compounded by the diversity of villages across the country. Even within a specific region, villages exhibited variations in their characteristics and practice. This shows that contrary to the idealized portrayal in colonial literature, Indian villages were autonomous or sovereign entities. The notion of self-sufficiency within village communities is a misconception. Andre Beteille in his study of Sripuram village in Tamil Nadu, argued at least as far back in time as living memory went, there was no reason to believe that village was fully sufficient in the economic sphere (Beteille 1996). Similarly, MW Smith emphasized the importance of examining village life within a broad, social and economic context to fully comprehend the dynamics of social life in rural Punjab.

Villages, despite interacting with the outside world, maintained a unique social structure and identity of their own. Many Anthropologists have noted a very strong sense of solidarity among villages, transcending caste divisions, which contributes to their collective identity and pride. According to S.C. Dubey, village functions as a distinct social unit, fostering solidarity, different from that found within caste, class or kinship structure. Each village possesses its own unique customs and traditions forming a cohesive entity. Diverse castes and communities cohabit within the village, integrated into a shared economic, social and ritual framework. This integration is facilitated by mutual obligations and reciprocal relationships, held by shared cultural practices and universally accepted connections within the village. Community life is characterized by social, economic and ritual based cooperation existing between different castes (Dubey 1960).

In order to modernise and transform the prevailing social, cultural, economic and political structures of rural India, Indian State initiated multiple programmes and developmental strategies to improve the quality of life of its rural citizens shortly after independence. These early programmes focused on alleviating rural poverty and stimulating economic growth. However, the 1970s marked a renewed emphasis on rural development in India.

In line with global trends, the union government of India established a separate department of rural development in 1974, which was elevated to a full ministerial status in 1979, subsequently renamed the Ministry of rural development in 1982. This entity has undergone various changes in its identity, scope and portfolio over the years. These transformations reflect the shifting political priorities of successive governments and evolving global development discourse, which has increasingly centered on rural poverty and agriculture.

Beyond nomenclature and global trends, the pursuit of improving rural living conditions through State policy has a long history in India, predating independence. This concern has been shared by a diverse array of external actors, including the colonial state, Indian nationalists and American missionaries (Jodhka 2023). Subir Sinha has also pointed out that Indian villages emerged as objects of interest and intervention for various groups in the late 19th century, including colonialists, Cosmopolitan capitalist, nationalists, American philanthropists and reformist missionaries. (Sinha 2008)

While the early colonial interventions and changes to land revenue systems resulted in agrarian crisis and decline in agricultural productivity. Simultaneously, a narrative emerged in the late 18th century colonial discourse portraying India as a land of agricultural and rural deficiency.

This narrative contrasted India's perceived backwardness with the perceived capacity of British to modernise, and improve agricultural practices. This notion of British superiority served as a cornerstone for justifying their colonial rule. The British positioned themselves as having a moral obligation to uplift India and guide its development by asserting their entitlement to rule the country (Harris, 1982).

Some of the administrators of British India conducted empirical studies to understand the changing conditions of cultivators and implemented strategies to enhance agricultural productivity. Punjab, where a significant portion of male population was recruited for the colonial army was a particularly significant case study. Colonial government invested heavily in developing Canal networks to improve irrigation infrastructure, bringing vast tracts of semi-arid land under cultivation in Western Punjab. They also established new institutions dedicated to the development of agriculture. Between the late 19th century and early 20th century, new institutions were created to focus on forestry, irrigation, fisheries, cooperatives, credit cooperatives, livestock, dairy, animal husbandry, and specific crops, such as cotton, sugarcane, and tobacco. The Pusa Institute played a key role in hosting agricultural scientists from abroad to work in rural India, connecting the region with global development expertise (Sinha 2008). Many of these institutions continued to function after India's independence and became models for post-colonial rural agricultural development programmes.

This historical analysis of the state's intervention shows that along with the colonial rulers, the Indian nationalist also felt the urgent need for intervention in the Indian villages from outside. Indian nationalist leader, even when they disagree on politics and ideology. They all recognized the need to change the village through external intervention. Nehru, primarily viewed the village as an underdeveloped entity, while Ambedkar treated its social structure, particularly its oppressive nature towards Dalits. Even Gandhi, who idealized the village as a foundation for a truly independent India, was disillusioned upon encountering the realities of rural settlements and advocated for radical reform to make it suitable for self-governance.

The abolition of the zamindari system through land reform acts, was probably the most far-reaching reform measure undertaken in India after Independence. It aimed to directly connect the cultivators with the state, eliminating the middleman like zamindars, who often imposed exorbitant rents and fees, the reform sought to recognise the basic structure of India's rural economy. This systematic change had a profound impact on the rural landscape. It fostered a sense of ownership among the farmers, encouraging them to invest in agricultural practises, leading to increased productivity and agricultural output. However, while the evolution of Zamindari system was a crucial step, it was not sufficient to address the multifaceted challenges plaguing agrarian economy of the time, issues such as land distribution, tenancy, reforms, and credit access persisted requiring further policy interventions.

Green revolution was the second most important policy intervention by the Indian state, which was intended to not only increase the productivity of the land, but also to restructure and modernize rural India. Green revolution, in early 1960s and 1970s brought about significant changes in the areas where it was implemented. However, the social and environmental implications of the green revolution have been subject to considerable debate. Studies have highlighted the widening income disparities between large and small farmers, as the new

technologies and inputs were relatively expensive. This led to increased commercialisation of agriculture and shift away from subsistence farming. Additionally, the displacement of the tenant, cultivators and agricultural labours coupled with the mechanization of the farming contributed to the large-scale rural-urban migration. While The Green Revolution undeniably boosted food production, it also exacerbated social inequalities and environmental concerns. It led to a process of differentiation, where wealthier farmers prospered, while many poor farmers experienced stagnation or decline. Although it initially increased employment and wages in the agriculture sector, the shift to cash-based payments and rising prices eroded the economic gains for many rural workers.

The second phase of green revolution, implemented in dry and semi -arid regions, further intensified market dependence and vulnerability to price fluctuations. The transition from diverse cropping patterns to mono-cultural reduced resilience to crop failures. Regional disparities were exacerbated by uneven distribution of the benefits of the green Revolution. Western and Southern regions, along with Punjab, Haryana and Western Uttar Pradesh received more attention and development compared to eastern regions. This led to increased social and economic inequality, particularly in areas with feudal agrarian structure and exploitative labor relations. The assumption that modern agriculture practices would automatically transform and improve the social and economic life of India's rural masses, overlooked the complex, caste, class relationship prevalent in rural India.

Changes which were introduced in agricultural productivity with the help of the green revolution has also introduced a very serious crisis in India's agriculture based rural economy. Increased use of chemical fertilizers and pesticides in food grain production has adversely affected food quality, leading to serious health concerns for both farmers and consumers. Additionally, the adoption of new seeds and intensified cultivation practices has resulted in greater groundwater exploitation, causing a declining water table in several regions, particularly in states like Punjab and Haryana, where paddy cultivation has been introduced on a large scale.

The growing commercial orientation has shifted the focus towards crops that are easily marketable, leading to a decline in crop diversity. For example, the number of crops produced in Punjab decreased from 21 to 9 during the green revolution period. This reduction in diversity has potential long-term implications for soil health and overall environmental sustainability. Some of these sustainability issues have contributed to what is referred to as agrarian crisis leading to an increase in farmers suicide (Sainath 2017).

Change in agrarian structure encompasses more than just enhancing agricultural productivity. It involves a transformation of social structure underpinning agricultural production. The new technologies and the increasing integration of agriculture into the market economy, disrupt social relationships across caste, class and gender lines within agricultural production. The changes also impact the orientation, aspiration, and cultural values of various groups in rural society, as well as the institutional framework, social structure and power dynamics of rural life.

Despite the common urban middle class narratives, which often portray rural masses as inherently conservative and resistant to change. However, the rapid and widespread adoption of new technologies challenges this stereotype. This suggests that rural communities are not static or monolithic, and their willingness to embrace change can be influenced by a variety of factors, including economic incentives, access to resources and information and social pressures.

The post Green Revolution era in India witnessed a significant transformation in rural areas. This period saw increased agricultural productivity due to the introduction of new technologies and focus on expanding education and communication networks. As a result, rural residents developed aspirations beyond traditional farming activities, leading to a decline in traditional social structure like the Jajmani system. The growing use of machinery and other imports in agriculture, further reshaped the rural economy. Additionally, a rise in consumerism in the rural economy created demand for a wide range of goods and services, leading to the growth of local markets. Resourceful rural households started investing in improving their living conditions, building pucca houses and supporting the development of urban style services.

The 1990s marked a crucial juncture for India's economic and social landscape. It was a period of significant transformation, both domestically and within the global context. The implementation of new liberal economic reforms by the Indian State in response to the rapidly changing global scenario significantly accelerated the pace of economic growth. The end of the Cold War and the increasing use of internet-based information and communication technology and business outsourcing created new opportunities for Indian Software professionals and companies to participate in the emerging global economy.

While India's urban economy, particularly its service sector, experienced unprecedented growth, the agrarian economy began to stagnate. This resulted in widening income gap between urban and rural India. The rapid expansion of urban middle classes, who increasingly became the face of India in the global economy, further accentuated this divide. Though, representing only a quarter of the working population by the turn of the century, this urban middle class wielded considerable influence, both locally and globally. They were at the forefront of consumerism, globalization and modernisation, shaping India's social, cultural and economic landscape. During the same period, the agricultural sector experienced a negative decline in its contribution to the national economy. Official data indicates that the share of agriculture and allied sectors (forestry, horticulture, fishing and dairy) in the national economy decreased from more than 50% in the 1950s to 17.8% in 2019-20. However, the shift in the working population away from agriculture has been a slower and more complex process. The percentage of workers in the agricultural sector remained stable for the first 20 years, 1951 to 1971. Due to overall population growth, including in rural areas, the absolute numbers of agricultural workers likely increase during this period. This suggests that during the initial stage of economic development, the agricultural sector continued to absorb a significant portion of the rural workforce.

However, after 1971, the percentage of workers in agriculture began to decline, falling from nearly 70% in the early nineteen fifties to 54% in 2011. This shift can be attributed to the changing nature of India's economy due to increased urbanization, industrialisation, and adoption of more efficient agricultural technologies.

This economic liberalization led transformation of the Indian economy has also initiated the process of restructuring the social, cultural and political landscape of rural India. Globalization has significantly contributed to the growth and expansion of the middle class in urban as well as rural India. This class (middle class in urban and rural India) has emerged as a key beneficiary of the post liberalization market driven economic growth. This middle class is characterised by disposable income and increased consumption.

Income, asset ownership, expenditure patterns and social prestige, are key differentiators between rural upper and middle class. A recent study of rural Rajasthan by Sharma (2016) reveals the presence of a substantial middle class, even in areas traditionally dominated by agrarian communities. Sharma argues that upper castes in rural India, exhibited middle class characteristics even before India's Independence. In a post globalization era, decline is evident in the upper caste, residing in rural areas, particularly those who have not migrated to urban centres. In contrast, the intermediate castes have emerged as a prominent, middle class, benefiting from land reforms, Panchayati Raj and multiple developmental initiatives of the Indian State.

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