



## How to Make Globalisation Pro-Poor

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SECTION: I

### Introduction:

Since India became part of the global economy and underwent economic reforms in 1991, its economy is growing at a faster rate of nearly 10 per cent per annum. In the process, India has become the fourth largest economy in the world. In the last two decades, a significant proportion of the population across the country has reaped the benefits of this economic growth. They have become the part of global economy and market, and their lives have transformed into one of global citizens with all the comforts and luxury in life. Analysts such as the founder of Forecasting International, Marvin J. Cetron writes that an estimated 300 million Indians now belong to the middle class: one-third of them have emerged from poverty in the last ten years. Still India is adding 40 million people to its middle class every year. Growing at the current rate, a majority of Indians will be belonging to the middle-class by 2025. Apart from this burgeoning middle class in the country, the economy growth seemed to have touched the lives of the poor also. According to the national Sample Survey results, people living below poverty line have dramatically come down during the post economic reform era. People living below poverty line (BPL) came down

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from 36 per cent in 1993-94 (50<sup>th</sup> Round, NSSO) to 26 per cent in 1999-2000 (55<sup>th</sup> Round, NSSO). Many economists question this dramatic change in poverty level. However, the intention of this paper is not to join the debate on the level of poverty reduction in the county but to recognize the reduction of poverty in the country during the post-economic reform era and to suggest steps, which can be taken to make globalization pro-poorer.

The paper has been divided into five sections. Section I is introductory part of the paper. Section II presents meaning of globalization. Section III presents the poverty in India and also shows that there is no convincing statistical demonstration that global integration has been found to be the main cause of the dramatic decline of poverty in India. Section IV suggests policy measures, which need to be addressed to make globalisation pro-poor. Section VI offers some concluding remarks.

## **OBJECTIVE**

1. To study the impact of globalization on poverty in India

## **METHODOLOGY**

1. The present study basically being secondary data based exclusively relies on the publications and the reports of the study terms and committees of the government of India and from individual researches. Along with, the various journals of education have been taken into consideration for the purpose.

## **SECTION: II**

### **GLOBALISATION:**

While millions of poor and illiterate Indian may not even know what 'globalization' is all about, the term is now a catchword of both proponents and critics of the changing global events. A clarification, on the meaning of the term "globalisation" as is used in this paper, is given here. Globalisation means different things to different people. Some interpret it to mean the global reach of new technology (particularly in information and communications) and capital movements, some refer to outsourcing by domestic companies in rich countries, others protest against the tentacles of corporate capitalism or US hegemony. So it is better to be clear

at the outset that in this article I shall primarily refer to economic globalization in the sense of expansion of foreign trade and investment.

### **SECTION: III**

#### **POVERTY IN INDIA:**

The standard argument by pro-globalisers has been that the opening up of the economy leads to dynamic benefits, which improve the growth rate, and the latter in turn reduces poverty. The static allocation effect may also be pro-poor as it expands job opportunities for unskilled labour, which is plentiful in poor countries. Now let us look at the link between growth and poverty reduction in India. Official poverty estimates show that the poverty percentage declined from 44.5 per cent in 1983 to 27.5 per cent in 2004-05. Again the international financial press often attributes this significant decline in poverty is due to globalisation. But no one has yet convincingly demonstrated that this decline is mainly due to globalisation. There is no convincing statistical demonstration of this, as no one has yet tested a causal model where, controlling for other factors and applying a suitable identification strategy, global integration has been found to be the main cause of the dramatic decline of poverty in India. In the absence of such a demonstration, a careful eyeballing of the data suggests that the more important reasons for the large decline of poverty over the last three decades may actually lie elsewhere. Rural poverty reduction in India may be attributable to the spread of Green Revolution in agriculture, large anti-poverty programmes or social movements in India, and not the trade liberalisation of the 1990s. National Sample Survey (NSS) data actually suggest that the rate of decline in poverty has somewhat slowed down in 1993-2005, the period of intensive opening of the economy, compared to the 1970s and 1980s. It may not be unconnected with the fact that agricultural output (and total factor productivity in agriculture) grew at a slower rate in the last decade compared to the earlier decade. This may be largely on account of the decline in the public investment in rural infrastructure (like irrigation or prevention of soil erosion), which has little to do with globalisation. Some disaggregated studies across districts in India have also found trade liberalisation slowing down the decline in rural poverty. Such results may indicate the difficulty of displaced farmers and workers in adjusting to new activities and sectors on account of various constraints (for example, in getting credit or information or infrastructural activities like power and roads, large incidence of school dropouts, and labour market rigidities), even when new opportunities are opened up by globalisation.

There has also been a decline in the rate of growth of real wages in the period 1993-2005 compared to the previous decade 1983-93. India's export expansion in recent years has largely been in capital and skill-intensive industries and as such may not have helped large numbers of unskilled workers. This high rate of poverty can be attributed to:

- High level of dependence on primitive methods of agriculture
- Rural urban divide
- 75 per cent of Indian population depends on agriculture whereas the contribution of agriculture to the GDP was 22 percent
- While services and industry have grown at double digit figures, agriculture growth rate has dropped from 4.8 per cent to 2 percent
- High level of inequality arising from rural-urban divide
- High population growth rate
- High Illiteracy, about 35 percent of adult population
- Unemployment and under-employment
- Protectionist policies pursued till 1991 that prevented high foreign investment

#### **SECTION: IV FINDING**

1. There is no convincing statistical demonstration that global integration has been found to be the main cause of the dramatic decline of poverty in India.

#### **HOW TO MAKE GLOBALISATION PRO-POOR?:**

1. Link urban markets with rural farming hinterlands:-

India's economic growth has been concentrated almost exclusively in urban centres, while rural areas remain largely mired in appalling poverty. Since 70 percent of India's population lives in rural countries, the vast majority of Indians find themselves cut off from their nation's economic boom. Rural Indians generally depend upon agriculture for a livelihood and are trapped by a political system that privileges sharp-toothed middlemen over poor farmers. A law requiring farmers to sell produce through state-run markets encourages bureaucracy, waste and high consumer prices. The farmer continues to be

beholden to the local monopolist for distributing his produce. One study suggests that tomato farmers in Karnataka, for example, received rupees 2 per kilogram, compared to the end-user price of rupees 8.20. A 2003 report in Delhi states that while the tea price in the retail market was around Rs. 160 per kg, in the auctions it was less than Rs. 50 per kg ( and while auction prices have fallen, retail prices of tea continue to rise). Well-placed foreign investment working closely with India's entrepreneurs, however, could give farmers direct access to urban markets-and thus allow rural Indians to share in their country's economic growth.

2. Agricultural growth:-

For reducing rural poverty, agricultural growth is important. The Indian evidence clearly shows that the growth of food grains production in the post-reform period has been lower than those for earlier periods despite successive good monsoons for the last ten years. It is true that the area under coarse cereals and pulses has been shifted to oilseeds. But, the yields of rice and wheat have been more or less stagnant. Even the growth rate of non-food grains has been lower in the post-reform period. The growth rate in agriculture has been low in spite of increase in terms of trade and private investment in agriculture. Increasingly, a favourable term of trade for agriculture is supposed to attract private investment into agriculture, thereby leading to growth in output and demand for rural labour. In a simple neoclassical framework, since agriculture is more labour intensive, a rise in the relative price of its output (i e, food) leads to an increase in real wages and investment into agriculture.

3. Labour absorption in agriculture and rural non-farm employment as an escape route:-

Any strategy for reducing poverty has to concentrate both on employment intensity as well as labour productivity. The survey suggests that effective measures are needed for raising agricultural labour productivity without compromising on the employment intensity of agriculture.

4. Urban planning:-

Rapid urbanisation is one of the indicators of development. However, efficient urban planning is needed to absorb some of the rural workers and to reduce urban poverty.

5. Reduction in regional disparities:-

We have seen above that rich states have benefited from economic reforms because of better physical infrastructure and human development. There is a need for higher investment for improving physical and human capital in poor states.

6. Information technology:-

It is argued that information technology would increase employment potential of the economy. However, initially mainly skilled workers will benefit from information technology. This technology should be made friendly to the poor. Because of scale economies, the unskilled workers may also benefit over time.

7. Direct Poverty Alleviation Programmes:-

The programmes which are aimed at directly helping the poor instead of the entire population are termed as targeted poverty alleviation programmes. The main objective of these programmes is to directly help the poor to improve their economic, physical (nutrition, health) and social conditions. These schemes are supposed to protect a person or household in the case of both chronic as well as transient poverty.

8. Some other measures:-

It, of course, does not absolve the responsibility of international organizations and entities in helping the poor of the world. This can be achieved by

- Working toward a reduction of rich-country protection on goods produced by the poor,
- Energetic anti-trust action to challenge the monopoly power of international (producing and trading) companies based in rich countries,
- Facilitating international public-private partnerships in research and development of products (for example, drugs, vaccines, crops) suitable for the poor,
- Organizing more substantial (and more effectively governed) financial and technology transfers and international adjustment assistance for displaced

workers and farmers, help in (legal and technical) capacity building for poor countries in international trade negotiations, and

- Quality certification organizations for poor country products in international markets.

## **SECTION: V**

### **CONCLUSION:**

All this means that for many developing countries globalization is often not the main cause of their problems, contrary to the claim of critics of globalization; just as globalization is often not the main solution of these problems, there are several policies, which are needed for higher growth and reduction in poverty.

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