



Rural Development in India under the influence of globalization

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Globalisation propelled by information communication technology (CT) and the knowledge-based economy (KBE) has forged the integration of cross border transactions and interdependence to a magnitude, scale, and complexity which has appeared to tip the balance for globalisation backlash. Applied unevenly to favour urban industrial rather than rural agricultural sectors, Globalisation and the resulting creative destruction of industries and jobs have accentuated income and employment insecurity especially among the vulnerable less educated, less skilled, older and minority groups and widened the digital divide. We cannot begin to debate the impact and effects of globalisation except to acknowledge that it is no longer an option which countries can insulate themselves from. The only policy recommendation appears to be for countries to be globalisation ready in terms of overcoming both levels of adjustment, with the first, achieving economic competitiveness being much easier than the second which involve painful socio-political choices as well as competition is global (Morrison, et. al., ed. 1998). Taking globalisation as a given in terms of its ubiquitous presence and effects, this paper focuses on how it affects poverty reduction and the rural poor and note certain policy strategies to maximise the benefits while minimising the costs. No global.

An important lesson from trade liberalisation, openness and globalisation remains that macroeconomic policies and market-friendly measure are crucial to growth and poverty reduction and improve and expand the role of the private sector. The state cannot do it alone. High domestic saving, ability to absorb technology and ratchet upward with the growth of a middle income class promising not just consumer societies to fuel market expansion and demand but also greater socio-political stability with democratisation all round. But as rural poverty is likely to decline, urban poverty may increase unless growing urbanisation is better managed driven by changes in economic structures. While the Asian crisis has created massive disruptions in growth, employment and income, it has also pointed out certain



opportunities for the rural agricultural sector in Asia, even if somewhat belatedly. One is that more favourable commodity production and prices created a much needed buffer to reabsorb the unemployed and retrenched as urban, industrial workers return to their villages and families. While the loss of such remittances from domestic and overseas employment was affected, the returned workers can still live among family and community networks. A more important policy implication is that not only did the rural agricultural sectors offer a buffer effect, it remains vital to fuel and feed the urban industrial sector as well. The remiss is not extending and applying the globalisation benefits more across to the rural agricultural sector to achieve a more balanced dualistic structure.

Globalisation and Poorty

The surprise is not so little in the reduction in scale of poverty but rather that some of the children of the poor have escaped from poverty. With globalisation, ICT and KBE resulting in structural changes on one hand and cyclical and idiosyncratic developments on the other, the term "poor" has become more heterogeneous and complex. There is a need to distinguish between "welfare" and "development", between "crisis response" and "development". Permanent destitute comprises those who are unable to support themselves and some welfare programme is deemed necessary by society. A welfare programme is not premised on any expectation that recipients of such welfare will in future become economically productive, they are unlikely with exception of children, to support or contribute incremental resources to society. Programmatic responses to welfare needs of permanently destitute must necessarily be different from development programmes designed to assist the entrepreneurial poor who have potential to support themselves or contribute incremental resources to society as a whole, if provided effective opportunities. Welfare represents recurrent cost to society, development, investment cost in economic growth and popular satisfaction of a society. Temporary poor shares mixed welfare and investment characteristics as they unexpectedly fall into poverty after attaining a reasonably acceptable and comfortable life due to one or some combination of environmental, economic or political crises. From analogy of "rising tide raises all boats" these are people with "boats" and can improve life situations serendipitously over medium term without regard to specific nature of any immediate programme response to crisis.



World Bank (2001) gave a dissent from widely held consensus that best way to alleviate poverty is to foster economic growth and only way for that is through free and open markets (International Herald Tribune, 14 September 2000, p. 7). Noting that 24 per cent of world population still live on less than \$1 a day, more emphasis on fostering development of better government institutions, court systems to ensure private property rights and social safety nets which protect poor from effects of droughts, war and financial crisis is needed. Asian and Russian economies are hijacked by a corrupt group of oligarchs during recent financial crisis. US officials are cautious about benefits of market liberalization and development being over sold, fearing some developing countries use that to justify misguided efforts to restrict trade and investment and income redistribution. Some clear facts from the Asian crisis include that while the dollar-a-day poverty line has improved impressively, the poor remained most precarious as rapid inflation following large devaluations squeezed purchasing power and relative price shifts hurt the poor severely. The labour market was made to the Asian crisis with reduction in earnings rather than open unemployment and shift to a rise in informal employment even for the youths.

While the Asian crisis has affected the quality of education, adverse effects on its access have not been as dramatic. Primary school enrolment has not fallen though secondary has while tertiary has even risen as employment opportunity fell. Similarly, access to health care, nutrition, safe water and sanitation already much better in East and Southeast Asia than South Asia did not seem overly harmed by the Asian crisis except for malnutrition among the poorest and most vulnerable. Many had to substitute higher cost and higher quality private medical services to cheaper lower quality public services, creating a "double squeeze" on public health services already constrained by budget cuts. The Asian crisis coincided with a few climatic and environmental adversities including floods and droughts induced by El Niño and El Niño, forest fires and haze, But the abiding health hazard in Asia is water pollution followed by air pollution which suffered as economic growth and other material attainment prospered. The physical variations in endowments are compounded by disparities by region, ethnicity, religion, gender, age and the more protracted are civil disturbances from these legacies, and the more complicated the tasks ahead. The basic causes of poverty remain lack of market opportunities despite overall growth as the poor lack physical assets, financial assets, human and social capital, Even if markets exist, the poor need these assets to tap and



take advantage of markets and opportunities. Being more susceptible to vulnerabilities and shocks, they have neither the voice nor capability to gain more attention especially when political and social constraints including poor governance are explicitly obstructive, Land ownership remains privy to the rich and the poor suffer landlessness and land tenure. Social capital defined narrowly as social networks or groups or broadly as all institutions including legal framework, civil and political liberties, creates trust which enhances productivity by reducing transaction costs. Social capital as an informal safety net and higher provision of public goods are particularly crucial for the poor. Since the September 11, 2001 terrorist attack, the Economic and Social Commission for Asia and the Pacific (ESCAP) has defined the "new poor" as people becoming poor as a result of a major event such as an economic crisis, a change in economic system, political changes, terrorist attacks as well as natural disasters, calling for preventive, mitigation and coping strategies which place greater emphasis on social safety nets and other short term programmes and their effective delivery (Malik, 2001). The old poor or the core poor in terms of absolute poverty is now joined by those made poor by structural, including new poor pool. For instance, while the Gulf War may have reduced air travel by some 2-5 per cent, the terrorist attack has caused an evaporation of some already ailing airlines like Ansett and nearly Swiss Air with air travel expected to be down some 10-12 per cent according to preliminary Boeing sources. Higher insurance, security transaction costs further erode profits and need to cost-cutting measures which include job cuts and salary reductions. Other systemic failures as in ICT networks being attacked or overburdened can also cause mass wealth destruction.

Table 1

Typology of Old and New poor Poor

Poor							
Old Poor	New Poor						
Absolute poverty	Globalisation backlash ICT, KBE	New rich made poor	Emerg poor new graduate	Migrant poor cyclical	Poor from transition economie	Poor due to natural disaster	Poor form idiosyncratic terroism

Source : Drawn by writer.

The message is stark and unadulterated if inadequate and poorly designed and ineffective social security and social welfare protection safety nets are already inadequate to the task of eradication poverty before the new varieties have mutated. Unsurprisingly, the poverty record is not good as shown in Table 1 though still better compared with other regions in Table 2.

Table 2
Poverty indicators in some Asian economies

	National poverty lines				International poverty lines				Gini index		
	Year	Pop<poverty line			Year	S1 PPP/day		S2PPP/day		Year	Year
		Rur	Urb	Tot		Pop<	Pov gap	Pop<	Pov gap		
Ch	1996	7.9	<2	6.0	1995	22.2	6.9	57.8	24.1	1998	40.3
Indo	1996	12.3	9.7	11.3	1994	47.0	12.9	87.5	42.9	1996	36.5
Msia	1989	Na	Na	15.5	1995	4.3	0.7	22.4	6.8	1995	48.5
Phil	1997	51.2	22.5	37.5	1994	26.9	7.1	62.8	27.0	1997	46.2
Tha	1992	15.2	10.2	13.1	1992	<2	Na	22.5	5.4	1998	41.4

Source : World Bank, 2001

Disdainful of Western welfare states, relying more on Asian ON communitarian and family social networks, most Asian economies have relied on rapid economic growth as sufficient as poverty reduction and social safety net provision. The best source for social security provision is the private sector comprising employers, community and families, the state as a provider-of-last resort and takes a residualist, minimalist approach. The Asian social model also assumes an organic view of the relationship between state and individual and sees society as a natural organism. The needs of community and society override those of individual and the common, greater good is stressed. The state thus concentrates on economic growth and this and business interests should not be compromised leaving social security secondary and best with the family and social groups. Economic competitiveness is stressed more than social competitiveness in terms of government spending on social services on education, health and safety nets, social security systems, identifying and protecting vulnerable groups, ensuring socio-political harmony and cohesiveness, religious and cultural tolerance, social trust and capital. Asia seemed more used to hubris wealth generation across-



the-board than managing expectations and risks when unexpected calamities or punctuated growth occur.

Table3

Relative income poverty by region, 1987-98

Region	Regave poverty line (1993 PPPS/day)	Share of pop living on less than one-third of average national consumption for 1993 (per cent)				
		1987	1990	1993	1996	1998
EA, Pacific	1.3	33.0	33.7	29.8	19.0	19.6
Excl China	1.9	45.1	38.7	30.8	23.2	24.6
Eur, C Asia	2.7	7.5	16.2	25.3	26.1	25.6
LA, Carrib	3.3	50.2	51.5	51.1	52.0	51.4
ME, N Afr	1.8	18.9	14.5	13.6	11.4	10.4
S Asia	1.1	45.2	44.2	42.5	42.5	40.2
SubSah Afr	1.3	51.1	52.1	54.0	52.8	50.5
Total	1.8	36.3	37.4	36.7	32.8	32.1
Excl	1.6	39.3	39.5	39.3	38.1	37.0

Source:World Bank, 2001.

The same economic growth through industrialization, urbanisation, modernization, science and technology have eroded the social and community bases of social security and safety nets with rural-urban migration, universal education and equal employment opportunity. The Europeans may have got it right paying attention and not neglecting the agricultural sector as the fount of the socialization process and social policy. Social capital and trust seemed more vulnerable and dissipated more easily in urban and industrial environments as social glue is further threatened by structural, technological and cyclical changes (Fukuyama, 1999). The demographic transition and ageing as the postwar gift has turned into a burden with rising dependency and demand for resources abetted by falling fertility. Greater economic insecurity with globalisation, ICT and KBE, alien consumption patterns and lifestyles have threatened social stability and harmony. Contagion effects of more volatile and unpredictable extremely induced crisis which render traditional domestic macroeconomic policies impotent. ICT and new economy induces a digi divide and greater disparity in market access and opportunity as intellectual capital is harder to husband and groom than technical skills and crafts in the old economy. Democratisation is stirring challenges from a largely unschooled



majority and mass; democracy may indeed be a luxury good in some parts before its time as institutions and political culture not quite in place.

Conclusion and Policy Implications

The impact of globalisation, ICT and KBE in Asia has been generally favourable except that in hindsight, the seduction to rapid, high technology growth following Japan and the ANIES has over concentrated on industrial policy and the corresponding neglect of agriculture. The economics of a more balanced dualistic balanced growth model are revisited as fiscal pump priming expenditure focuses on the rural sector infrastructure and employment creation. Although the targets remain in human resource development (HRD), technology especially to reduce the digital divide, the Asian crisis showed the weaknesses in terms of provision in social security and social safety nets. Thus, beside the specific HRD and ICT emphasis, all fiscal stimuli can also be seen to be directed at the social and rural sectors which would benefit no less from an upgrading in these areas to be globalisation ready. Globalisation, ICT and KBE are really sector neutral and if they were slanted toward high technology industries, it is a policy remiss which Asia should now find time and reason to rectify. Science and technology applied to raise agricultural productivity is longstanding and perversely, the Asian crisis and September 11, 2001 terrorist attack many redirect some focus and incentives back to agriculture, The rural sector needs as much ICT and KBE for better production, marketing, distribution and research and development (R & D) which are not the monopoly of high technology industries.

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