

Economic Reforms And Indian Agriculture

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Abstract- Agriculture sector plays an important role for economic development. It is the backbone of the Indian economy because it is the largest employer in the country. So, Indian planners have emphasized on the development of agricultural and allied sector right from the beginning of the economic planning process in India. In spite of several obstacles to reform, there has been needed policy reform in agriculture. The policy reform taken so far include removing restriction on the movement of agricultural goods, reform in domestic trade and storage policies, price reforms, liberalization of trade in agricultural goods and removal of input subsidies. The major policy reforms in agriculture relates to inputs such as fertilizer, power and water, infrastructure such as irrigation, transport and communication, processing, distribution and marketing and foreign trade. Since the mid-1980s, Indian economy faced a number of severe crises. These are: spiraling inflation, increased deficit financing, large deficit in the balance of payments and falling foreign exchange reserves. In order to cope up with these crises, the government of India has been waiving various economic restrictions in order to make Indian economy more open and competitive. For this reason, reforms or changes in economic policy were needed. The main objective of this study is to analyze the impact of economic reform in Indian agriculture. This study is mainly based on secondary data. Data have been collected from different books, journals and government report. Table and simple percentage have been used to analysis the data. We see that per capita availability of foodgrains has decreased during the years of economic reforms. Economic reforms have neglected agriculture and emphasized the growth of manufacturing and service sectors. Due to economic reforms, public investment in rural development and irrigation has drastically fallen. This has adversely affected foodgrains production. It is a fact that the farming community of our country has been facing a serious crisis due to the liberalization policy pursued by the government of India since 1990-91. In conclusion, it must be mentioned that external liberalization is not a sufficient condition for the growth of Indian agricultural;

Keywords- Agricultural product, Economic Reform, New Economic Policy, World Trade Organization

I. INTRODUCTION

Agriculture sector plays an important role for economic development. It is the backbone of the Indian economy because it is the largest employer in the country. It constitutes the largest share of India's national income, although the share has declined from 55% in the early 1950s to about 30% in the early 1990s. Nearly two-third of the population of the country depends directly on agriculture for their livelihood and the growth of the overall economy depends on the performance of agriculture to a considerable extent. In the last 60 years, Indian agriculture has significantly contributed in terms of income and employment generation. Even today, 24% of the total GDP originates from the agriculture sector and 62% people find direct and indirect employment in the agriculture sector in India (Gill.S.S. 2006). So, Indian planners have emphasized on the development of agricultural and allied sector right from the beginning of the economic planning process in India. During the first four decades of Indian planning, government both at the centre and at the state were serious in intervening markets for agricultural; outputs and inputs. During this period, market and price mechanism were not the instruments of the policy maker. In the early years of planning, agricultural development policy centered around institutional reform (land reform) with direct intervention of the government. But from the middle of 1960's decade, technological reform i.e., new agricultural policy (green revolution) became the main policy for agricultural development with direct intervention of the government by giving financial help for the expansion of irrigation facilities, rural electrification, large amount of government subsidy on fertilizer, seeds, etc.

In spite of several obstacles to reform, there has been needed policy reform in agriculture. The policy reform taken so far include removing restriction on the movement of agricultural goods, reform in domestic trade and storage policies, price reforms, liberalization of trade in agricultural goods and removal of input subsidies. The major policy reforms in agriculture relates to inputs such as fertilizer, power and water, infrastructure such as irrigation, transport and communication, processing, distribution and marketing and foreign trade.

The entire study is divided into 6 sections. Section 1 deals with introduction; Section 2 deals with the concept of economic reform; Section 3 and 4 deal with objective and methods respectively; Section 5 deals with the impact of

economic reform on Indian agriculture and in section 6, conclusion has been drawn.

II. CONCEPT OF ECONOMIC REFORM

Since the mid-1980s, Indian economy faced a number of severe crises. These are: spiraling inflation, increased deficit financing, large deficit in the balance of payments and falling foreign exchange reserves. In order to cope up with these crises, the government of India has been waiving various economic restrictions in order to make Indian economy more open and competitive. For this reason, reforms or changes in economic policy were needed. Moreover, India agreed to remove various economic restrictions while signing the

General Agreement on Tariffs and Trade (GATT) proposal or the Dunkel Draft. Naturally, India had to adopt a New Economic Policy (NEP) on July 24, 1991. The main tenets of this policy are withdrawal of public investment, waiving of government restriction, free trade policy, liberal industrial policy, liberal foreign capital policy and a policy of developing a market economy and to make Indian economy progressive as well as a part of the world economy. The main theme of NEP is three fold: liberalization, privatization and globalization. Economic reform actually implies a liberalized attitude of the government in respect of trade policy, industrial policy etc. This NEP of India wants to minimize government intervention in economic activities. All crucial economic decisions should be guided by free market mechanism for the efficient allocation of economic resources. This policy has emphasized the expansion of the private sector instead of government intervention. The main objective of this economic reform is to convert the Indian economy into a market oriented economic system from the centrally planned economic system.

III. OBJECTIVES OF THE STUDY

The main objective of this study is to analyze the impact of economic reform in Indian agriculture.

IV. METHODS

This study is mainly based on secondary data. Data have been collected from different books, research journals and government report. Table and simple percentage have been used to analysis the data.

V. IMPACT OF ECONOMIC REFORM ON INDIAN AGRICULTURE

There have been some favourable as well as some unfavourable impacts of economic reform on agriculture. Now we first analyze the favourable impact of the economic reforms on Indian agriculture.

FAVOURABLE IMPACT OF ECONOMIC REFORM ON INDIAN AGRICULTURE

To analyse the favourable impact, we should discuss different aspects of the government policies regarding fiscal adjustment, structural adjustment, financial reforms and economic globalization and find out their possible impacts on Indian agriculture. We shall now discuss them one by one.

Fiscal adjustment policy and Indian agriculture

The government of India has undertaken the fiscal adjustment policy in 1991. The main objective of this policy was to reduce the fiscal deficit in government budget. The prime component of this policy measure has been the reduction in food and fertilizer subsidies. A cut in food subsidy would possibly lead to (a) a fall in the procurement prices of foodgrains and (b) an increase in the issue price of foodgrains distributed through the ration shops or fair price shops.

On the other hand, a cut in fertilizer subsidy or power subsidy would raise the average input costs in Indian agriculture. However, the food subsidy element was not reduced to a large extent. Instead, the procurement prices have been increased. So, farmers are not hurt by this policy. The government of India has also encouraged private investment in Indian agriculture. At 1993-94 prices, the private investment in agriculture was over 50 per cent higher in 1999-2000 in comparison with 1993-94.

Structural adjustment policy and Indian agriculture

The structural adjustment policy of the government gives special emphasis on rapid industrialization through the promotion of private sector enterprises. As a result, growth of agricultural sector will occur also. Thus, Indian agriculture would get several inputs at relatively lower prices. The new policy encourages the expansion of export industries which produce agricultural products. These industries get their necessary inputs from Indian agriculture. So, large scale farming with greater mechanization would become profitable. This trend would also help in raising agricultural productivity.

External trade policy and Indian agriculture

The liberal foreign trade policy of the government has also an important bearing upon Indian agriculture. The present trade policies of the government of India are largely guided by the provision of World Trade Organization (WTO) since 1995.

The Export-Import policy of the government has already withdrawn quantity restrictions on the import of many agricultural commodities during 1992-2002. However, there are also provisions for restricting the inflow of some of these agricultural products by imposing appropriate tariff rates.

UNFAVOURABLE IMPACT OF NEP ON INDIAN AGRICULTURAL

Data show that during 1980-81 and 1990-91 and 2000-01, this rate came down foodgrains was 3.1%. But during 1990-91 and 2000-01, this rate came down to 1%. As a result of undertaking economic reform, agriculture production increased. However, increase in agriculture production is not stable due to economic reform. For example, annual compound growth rate of foodgrains production during the next decade of economic reforms (1990-91 to 2001-02) decreased to 1.0% from 3.1% during the previous decade of economic reforms (1980-81 to 1990-91).

Table:1 Growth rates of foodgrains and non-foodgrains production

Compound Growth rate	1981-82	---	1990-91
	1989-90		2006-07
	Production Yield		Production Yield
Foodgrains	2.85		1.19
	2.74		1.74
Non-foodgrains	3.77		4.62
	2.31		3.66
All	3.19		2.61
	2.56		3.07

Source: Ministry of Agriculture, GOI

From the above table 1 it is found that growth rates of foodgrains and non-foodgrains production over the period 1991-92 to 1999-2000 and 2000-01 to 2006-07 have declined significantly. Average growth rates of area of foodgrains and non-foodgrains between 1994-95 and 2006-07 stood at 0.14 p.c. and 0.86 p.c. respectively. Per capita availability of foodgrains has deteriorated in recent years.

In recent years i.e., in 2008-09 the growth originating from agriculture and allied activities declined to 1.6%. While this is lower than the 4.9% in 2007-08 and 4% in

2006-07. Thus, we see that agricultural growth in India is characterized by sharp fluctuation even after the introduction of new economic policy.

Increase in agricultural exports is not satisfactory after the introduction of new economic policy. For example agriculture and allied sector contributed 30.6% of total exports in 1980-81. But in 1990-91, it is declined to 19.4% and in 2007-08 it is further declined to 9.9% and in 2008-09 it is 9.1% and in 2009-10 it is 9%. Thus it is seen that the external sector, instead of giving strong push in demand for Indian agriculture, seems to have posed further challenges to its existence and growth.

VI. CONCLUSION

We see that per capita availability of foodgrains has decreased during the years of economic reforms. Economic reforms have neglected agriculture and emphasized the growth of manufacturing and service sectors. Due to economic reforms, public investment in rural development and irrigation has drastically fallen. This has adversely affected foodgrains production. It is a fact that the farming community of our country has been facing a serious crisis due to the liberalization policy pursued by the government of India since 1990-91.

In conclusion, it must be mentioned that external liberalization is not a sufficient condition for the growth of Indian agricultural; it can be treated as a necessary condition. Thus, more reforms have to be made in domestic Indian agriculture. Actually, a minimum commitment to WTO has to be maintained so that the opportunities of improved trade in agriculture can be exploited.

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