

# IMPACT OF ECONOMIC LIBERALISATION IN AGRICULTURAL SECTOR IN INDIA

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## ABSTRACT

Due to the numerous Indian governments' anti-farmer, pro-industry policies since 1991, agriculture, formerly regarded as the foundation of the Indian economy, is currently in its worst state. Even managing its own demand-supply issue for many agricultural commodities is difficult for India, which was previously regarded as the "Ann Data" of the entire globe. At the expense of agriculture, farmers are killing themselves, celebrating "Crop Holidays," and battling the government over the illegal seizure of property for real estate development or other lucrative enterprises. The purpose of this study is to highlight the current situation in agriculture that has reduced agriculture's once-major contribution to the GDP of India to a minimum. The impact of economic changes on the Indian agriculture sector will be discussed, along with other difficulties like inadequate technical assistance for farmers, subpar seeds, improper storage, the Minimum Support Price, irrigation, and the difficulty in obtaining financing.

The purpose of this essay is to examine how economic changes have affected Indian agriculture. This essay aims to examine the reasons for the agriculture sector's slowdown during the post-reform era. To conduct this analysis, a number of measurements are taken into account and researched, including the amount of average yield changes, the usage of agricultural inputs like hyv and chemical fertiliser and their effects on agriculturalists' incomes, and changes in crop patterns. The study also looks at and discusses how these changes have

affected Indian agriculture and attempts to show how these economic reforms might be directed in order to address important issues with the sector.

**Key Words:** Indian Agriculture sector, Growth Rate, Change in land yields,

## INTRODUCTION

India has advanced significantly in agriculture since gaining independence. In the 50 years prior to Independence, Indian agriculture expanded at a rate of about 1% annually. In the 50 years since Independence, that rate has increased to about 2.6 % annually. In the 1950s and 1960s, geographic expansion was the primary driver of growth. Subsequently, however, the contribution of growing the amount of land used for agriculture has decreased over time, and productivity gains have taken over as the primary driver of agricultural production growth. Success in reducing reliance on imported foodgrains is a crucial aspect of agriculture's development. Indian agriculture has advanced in terms of output and yield in addition to structural changes. The Indian government took a number of actions that led to all these advancements in Indian agriculture. Land reforms, the establishment of the Agricultural Price Commission, whose goal is to guarantee that producers receive fair prices, and a new agricultural strategy.

The victims of globalization's onslaught have been agriculturalists in general and small and marginal farmers in particular. Farmers are in a precarious situation because non-institutional sources still account for more than 40% of agricultural lending, charging anywhere from 30 to 40% interest annually. They are engaging in one of the worst acts of human tragedy: suicide. Without them, rural India will most certainly not shine. There is a gloom rather than a bloom in the countryside due to the appalling lack of infrastructure. The question at hand today is whether Indian agriculture will be able to meet the new demands imposed on it by Liberalization, Privatization, and Globalization as the share of agriculture in the national income declines from more than 50% in the 1950s to less than 20% today (LPG). Numerous economic reforms were prompted by the severe foreign exchange crisis of 1990 in the early 1990s. Agriculture was not mentioned specifically, though. The central government's efforts to eliminate the fertiliser subsidy and put more of an emphasis on agriculture exports had an impact on agriculture. This in turn was intended to encourage

exports, which would spur quick agricultural expansion. In terms of GDP share, it was anticipated in the middle of the 1990s that the agricultural sector would remain the most significant economic sector for the remainder of the decade. However, even if it is not the sector contributing the most to GDP, agriculture will continue to play a significant role in supplying food, income, goods, employment, and raw materials to other sectors of the economy. The effects of reforms on Indian agriculture were only briefly studied by a small number of researchers. The impact on agriculture during the post-reform period is examined in the current study. Reforms pertaining to the critical issues are researched.

## **AGRICULTURAL REFORMS**

A common criticism of India's economic reforms is that they have overly prioritised industrial and trade policy while ignoring agriculture, which supports 60% of the country's population. Critics cite the agricultural sector's slowing growth in the second half of the 1990s (Table 1) as evidence of this neglect. The idea that changes to trade policy have not benefited agriculture, however, is unquestionably false. The removal of industry protections and the resulting depreciation in the value of the currency have shifted relative prices in favour of agriculture and aided agricultural exports. In contrast to the ten years prior to the reforms, India's agricultural exports increased from 1.1 percent in 1990 to 1.9 percent in 1999, accounting for a larger percentage of global exports of the same commodities.

Although changes in trade policy have benefited agriculture, it has also suffered in other ways, most notably from a decrease in public investment in infrastructure needed for agricultural growth, such as irrigation and drainage, soil conservation and water management systems, and rural roads. This decline started much earlier than the reforms, as noted by Gulati and Bathla (2001), and was actually more pronounced in the 1980s than in the 1990s. In addition, they note that while private investment increased after the reforms, public investment decreased, which was more than offset by this. In order to increase productivity, infrastructure related to agriculture must be invested in, and this investment is most likely to come from the public sector. In fact, if public investment in these crucial areas does not increase, the rising trend in private investment could easily be slowed.

The deterioration in state governments' financial standing and the propensity for politically appealing but ineffective and sometimes unfair subsidies to displace more beneficial investment are the main causes of the decrease in public investment in rural infrastructure. For instance, subsidising fertiliser and undercharging for water and power benefits mainly fertiliser manufacturers and wealthy farmers while having detrimental effects on the environment, production, and even the income of small farmers. In order to raise funds for investments in rural infrastructure, which would benefit both growth and equity, a phased increase in fertiliser prices and the imposition of economically sound user fees for irrigation and electricity are both possible. Although it is politically challenging to restructure subsidies in this way because of competitive populism, there is also no other viable option in sight.

Agriculture diversification is currently being hampered by some of the policies that were instrumental in promoting food grain production in earlier times when this was the main goal. The Commission on Agricultural Costs and Prices, a technical body tasked with adjusting price support to reasonable levels, should be consulted when determining the government's price support levels for food grains like wheat. Overproduction has been encouraged in recent years as a result of support prices being fixed at much higher levels. In fact, 58 million tonnes of public food grain stocks were on hand on January 1, 2002, compared to a normal 17 million tonnes. If farmers are to be motivated to switch from producing food grains to other products, it is obvious that the support price system needs to be better matched to market demand.

A few outdated laws must undergo radical reform in order to accommodate agricultural diversification. The Essential Commodities Act, which gives state governments the authority to impose restrictions on the movement of agricultural products across state and occasionally even district boundaries and to set a maximum stock level for certain commodities that wholesalers and retailers may carry, was created to stop exploitative traders from diverting local supplies to areas where there is a shortage or from hoarding supplies to drive up prices. As a result, farmers and consumers are deprived of the

advantages of a national market that is integrated. Additionally, it hinders the growth of cutting-edge trading firms, which are crucial to the subsequent phase of agricultural diversification. Since the act no longer applies to certain goods, such as sugar, wheat, rice, coarse grains, edible oil, oilseeds, and coarse grains, the government has acknowledged the need for change. This action might not be sufficient, though, as state governments might be able to do something similar. What is required is the repeal of the current law and the enactment of national legislation that would make it unlawful for government officials at all levels to impede the movement or stocking of agricultural goods (Planning Commission, 2001).

Comprehensive recommendations for the review of numerous other out-of-date agricultural laws have been made in the Task Force on Employment report (Planning Commission, 2001). For instance, laws intended to protect land tenants, which is undoubtedly a crucial goal, end up deterring marginal farmers from leasing out unprofitable holdings to larger farmers out of concern that they won't be able to reclaim the land from the tenant. Commercial traders find it challenging to enter into contractual agreements with farmers due to the Agricultural Produce Marketing Acts that require them to purchase agricultural products only on regulated markets. Outdated and frequently conflicting laws and regulations also hinder the growth of a modern food processing industry, which is necessary for the next phase of agricultural development. If the logic of liberalisation is to be extended to agriculture, these and other antiquated laws must be changed.

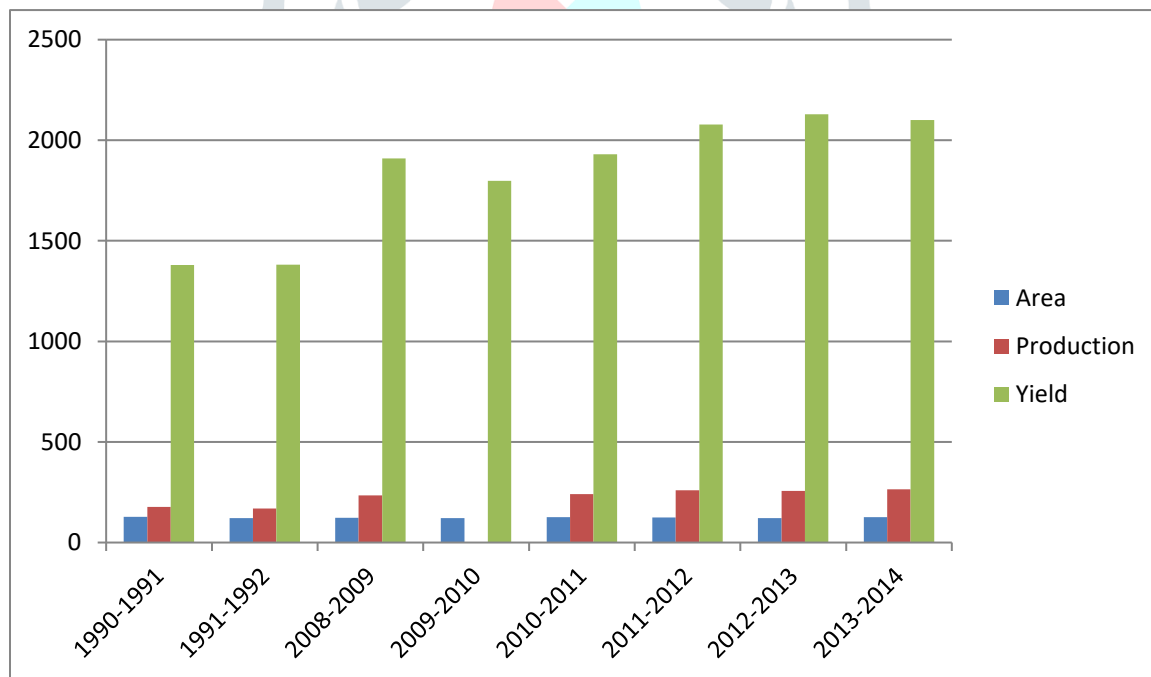
## **REVIEW OF LITERATURE**

**Gopalan (2001)** in his article "Sustainable food production and consumption" demonstrated how the existing methods of food production and consumption place a heavy load on the environment and the natural resources that make them up.

**Table No. 1 All India Area, Production and Yield of food grain's along with coverage under irrigation Area-Million Hectors Production-Million tons Yield-Kg/Hectare Year**

Periods	Area	Production	Yield	Area Under Irrigation
1990-1991	127.84	176.39	1380	35.0
1991-1992	121.87	168.38	1382	35.1
2008-2009	122.83	234.47	1909	37.4
2009-2010	121.33	218.11	1798	48.3
2010-2011	126.67	241.49	1930	47.8
2011-2012	124.75	259.29	2078	47.8
2012-2013	120.78	257.13	2129	49.849.5
2013-2014	126.04	264.77	2101	50.2

Source:- Directorate of Economic and statistics, Department of Agriculture & Cooperation.



Since the expansion of agricultural output is now mostly driven by yield growth rates, a sharp decline in yield growth rates in the majority of India should be of significant concern to policymakers. The drop in public irrigation investment and the lack of innovative technologies that may increase yields while lowering costs appear to be two main contributing factors. Comparing the Pre-Reform Period and the Post-Reform Period, it is

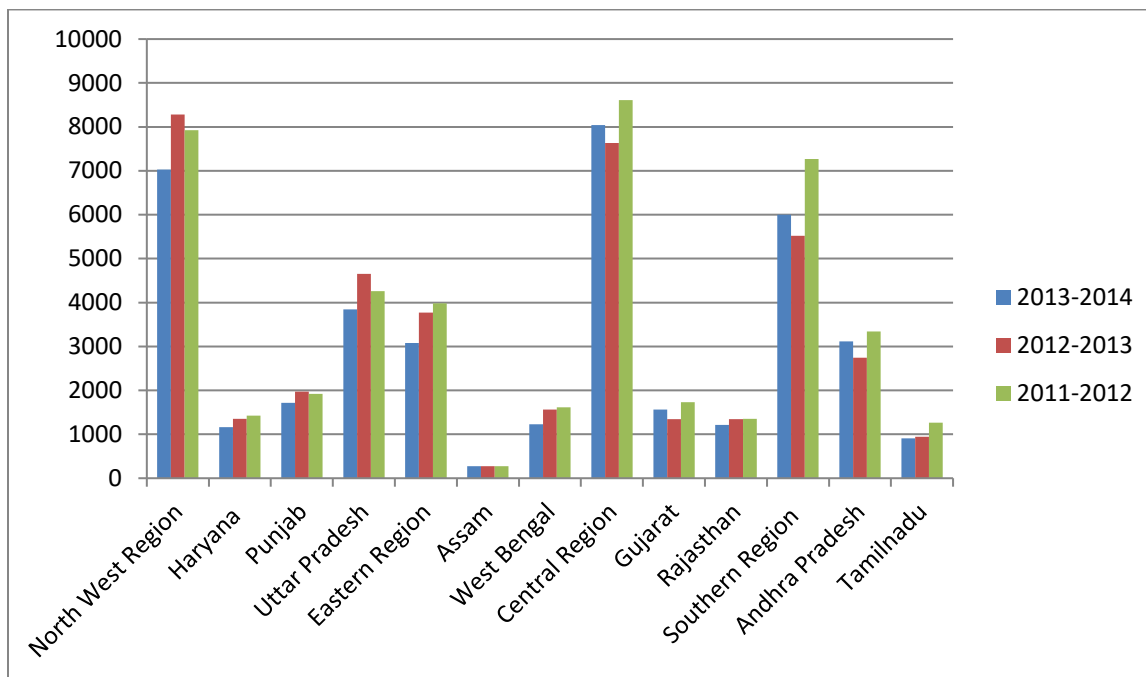
evident from the table above that the area underwent a marginal growth. Economic reforms have helped to create a very favourable climate for growth and development. Despite a little increase, agricultural production. The area under irrigation increased significantly as compared to the period before to the reform.

High yield variety (HYV) seeds were used after the reform period, and the use of contemporary inputs like fertiliser led to a significantly greater yield level. This graphic illustrates the relationship between the productivity of the land and the usage of contemporary inputs.

**Table No. 2 State wise use of Fertilisers ( Thousand Tonnes)**

<b>Region and States</b>	<b>2013-2014</b>	<b>2012-2013</b>	<b>2011-2012</b>
North West Region	7030.97	8284.84	7922.37
Haryana	1164.67	1350.20	1428.05
Punjab	1713.27	1972.24	1918.06
Uttar Pradesh	3842.04	4650.98	4257.75
Eastern Region	3078.25	3775.01	3983.41
Assam	273.04	275.65	275.65
West Bengal	1226.85	1560.40	1617.20
Central Region	8042.24	7636.30	8607.24
Gujarat	1564.91	1341.97	1733.06
Rajasthan	1217.64	1344.20	1355.78
Southern Region	6004.82	5519.08	7266.62
Andhra Pradesh	3119.43	2747.10	3342.35
Tamilnadu	905.66	946.82	1264.91

Sources: Department of Agricultures & Corporation.



The use of fertilisers decreased across the board when data from 2011–12 and 2012–13 were compared, although it is encouraging that the trend reversed and moved in an upward direction.

It was observed that the high use of chemical fertilisers increased significantly in the post-reform period, both state- and region-wise. High dose in Uttar Pradesh, followed by Punjab. All of the high-productivity states, including Gujarat in the centre, West Bengal in the east, Kerala, Tamil Nadu, and Andhra Pradesh in the south, and Punjab and Haryana in the north-western region, have been employing significant amounts of modern inputs, particularly chemical fertiliser.

## CONCLUSION

By improving the lives of more than half of India's population, who depend on agriculture for their livelihood, the agricultural sector, which is the country's most significant source of employment, can both stimulate economic growth in India and aid in addressing issues like poverty and health status. Studies show that the levels and growth rates of output and yield have significantly regressed in the post-reform era. Diversification toward oilseeds has slowed down in the majority of states and regions. The slowing of yield and output increase in various places is caused by several factors. Farmers' profitability has been negatively impacted by little investment in scientific research, irrigation, and water management.



Chemical fertiliser overuse and overdosage have a negative impact on soil quality. The rise of the Indian economy's GDP and per capita income has undoubtedly accelerated since the country's economic reforms. Why only Indian agriculture has such severe decline in a setting of such high positivity should be a major source of concern. One of the key issues that has been brought up is whether maintaining the rate of agricultural growth through increasing amounts of expensive and heavily subsidised inputs, which not only place a heavy financial burden on society but also degrade the soil and the environment, is sustainable over the long term.

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