

# "THE NECESSITY AND CHALLENGES OF AGRICULTURAL REFORMS IN THE CONTEXT OF CHANGING FACE OF INDIAN ECONOMY"

**Dr. Nandita**

Associate Prof. & Head  
Deptt. of Economics  
Allahabad Degree College  
University of Allahabad,  
Prayagraj

## **ABSTRACT**

Indian economy is one of the most promising developing economy of the world as its structural changes also present a clear picture. The data reveals that after independence; in G.D.P., the share of agriculture has declined, the industrial sector's share is stagnant now, but the share of service sector has increased tremendously.

The agriculture sector plays a significant role in the Indian economy. In this paper a brief history of agriculture's situation in country since 75 years after independence is portrayed. In 1950, the share of agriculture sector in total national income was 50%, it declined to 18% in 2016-17. But even today more that 60% of workforce is engaged in agriculture and still the conditions of farmers are very distressed. In all these years, the country has been adopting production centric agriculture, meaning emphasis was on way to increase production and productivity and now there is much need to change the approach and make the agriculture more profitable and increase the welfare and dignity of farmers.

The challenges and problems of farmers and agricultural sector are discussed in this paper and also major reforms and new laws initiated by the government to combat with the farmer's suicides and encourage the vision of doubling farmer's income.

## **1. Introduction**

Since independence, the structure of Indian economy has changed. The share of agriculture sector has decreased drastically as its share in G.D.P. was nearly 55% in 1950-51 to 18 percent in 2016-17. Around 72% of total working population was engaged in agriculture in 1950-51, this indicates that Indian economy was agriculture based economy.

After 1990, in recent years, the agriculture sector is lagging behind in terms of its share in G.D.P., growth, production and employment.

So the problems and challenges of agriculture sector are discussed in this paper and agriculture reforms adopted by the government are highlighted so Indian agriculture grow more rapidly and become more profitable for farmers. It is need of this present time. For inclusive growth of the country, agriculture sector and rural development should be improved.

## 2. Changing face of Indian Economy

India is fast developing economy, as the structural pattern of the country is changing over the years. In order to study the structural change in any economy one has to analyze the contribution of various sectors to the national output or its share in G.D.P.

This table (1) gives an idea of structural change in Indian economy

Period (Year starting April)	Per cent of G.D.P.			
	Investment Rate	Primary	Secondary	Tertiary
1950-52	15.5	59.0	13.4	27.6
1960-62	19.4	53.1	17.3	29.6
1970-72	23.8	46.6	20.4	33.0
1980-82	22.0	41.3	21.8	36.9
1990-92	26.0	34.4	24.0	41.6
2000-02	26.2	26.1	24.7	49.2

Source: CSO, National Accounts Statistics, various issues.

The analysis of data shows three main characteristics of our economy:

### (i) **Declining Share of Agriculture Sector :**

The share of agriculture sector to national income has been constantly decreasing. In 1950-51, its share was 55.4 and decreased to 25.2 percent in 1999-2000 and further it

came done to nearly 18% in 2016-17. We know that the history of economic development of advanced countries indicates that the contribution of agriculture sector to national income decreases as the country develops like in U.S.A., U.K., Germany and Canada etc. It shows our country's economic development is progressing. The decreasing share of agriculture shows the changes in the structure of production.

In India, 60% of workforce is employed in agriculture while in U.K. and U.S.A. only 2% of their workforce is employed in agriculture. It clearly indicates that the occupational structure in India could not match with the change in structure of production.

(ii) **Increasing Share of Industries Sector :**

In 1950-51, the share of industry sector was merely 15%, which increased to 24.4% in 1980-81 and it raised to 24.7% in 1999-2000, but it is stagnant in 2016-17. However, the contribution of industrial sector is very high in developed nations like U.S.A., U.K., Japan.

In India the progress of industrial sector is very slow due to manufacturing sector and infrastructure development. This is mainly responsible for slow rate of economic growth in the country.

(iii) **Rapidly Increasing Share of Service Sector :**

The service or tertiary sector includes transport, communication, trade, commerce, banking, insurance, community and personal services. Its share to national income has been continuously increasing and it has overlapped the industrial sector growth. In 1950-51, the share of service sector in national income was 25.8 percent, it increased to 36 percent in 1980-81 and it has gone upto 47.8 percent in 2000, and its increasing trend is still continued as it reaches above 50% in 2015-16. It shows the development of Indian economy. The increasing amount of FDI is main cause behind this increase. The Figure-1 shows the current time sector wise share to G.D.P. of the country.

Thus the data reveals that the share of agriculture has declined, the industrial sector's share is stagnant now, but the share of service sector has increased. Now Indian economy is one of the most promising developing economy of the world.

### **(3) Indian Agriculture : A Brief History of 75 Years**

Indian economy was considered as agriculture based economy at the time of independence as agriculture and allied activities had a share of more than 50 percent to India's national income and around 72 percent of total working population derived its livelihood from the agriculture. After the journey of 75 years, the share of agriculture has declined from 50 percent in 1950 to 18% in 2016-17. But still today more than 60 percent of workforce is engaged in agriculture. It contributes significantly to production of food grains and cash crops, employment generation and demand generation in economy, also it plays a vital role in alleviating poverty and ensuring sustainable development of country. Since Independence, agriculture has come a long way, from the condition of food deficit to food surplus and exporter of food grains, the sector has witnessed various ups and down and the farmer's conditions are still pathetic in country. Now we overview a brief history of Indian agriculture.

#### **Post-Independence Phase**

At the time of independent, in 1947 the agriculture productivity was very low (about 50 million tonnes). The agriculture was mainly rainfed and tools for agriculture was traditional. More than 80% of the population living in rural areas were mainly occupied in agriculture. After independence, India followed a agricultural development strategy that focused on self-sufficiency in main foods like wheat and rice. Five Year Plans were initiated in 1951, in which agriculture was give priority. Agrarian reforms were undertaken in the form of consolidation of holdings, abolition of landlordism etc. But not proper implementation of policy, ignorant and poor vision leads to downfall of the conditions of farmers.

## **Sixties to Mid-Eighties Period : A Successful Phase**

In mid-sixties, a new revolution in Indian agriculture started with adaptation of new agricultural strategies. The two remarkable changes has come in this phase; First, in 1964 incentive price policy was adopted and the Agriculture Price Commission was set up to advice the Government on the fixation of support prices of agriculture crops.

Second, in the year 1965, the Government of India launched Green Revolution with import of high-yielding seeds of wheat from Mexico and rice, enhancing irrigation facilities along with external inputs like chemical fertilizer and pesticides. The first harvest after the green revolution, showed a record production of food grains three millions tonnes higher. This turned the economy from an era of food imports to food self sufficiency.

In 1970, the Minimum Support Price (MSP) for wheat was only 76 Rs. per quintal, which was not beneficial for farmers. The shortcoming of the green revolution were that it had bypassed small farmers and was limited for only wheat and rice. It was observed that high yields could only be obtained under certain optimum conditions like good irrigation facilities, intensive use of fertilizers and pest controls with chemical pesticides.

## **After Mid-Eighties : The Stagnation Phase**

In eighties, Indian agriculture has progressed well in terms of output and structural changes has also occurred.

In 1990, the era of globalisation started in India and when the World Trade Organisation (WTO) came into existence in 1991, the focus was shifted from agriculture to other sectors of economy, Globalisation of Indian agriculture though intended to improve the efficiency, productivity and cost competitiveness has had adverse impacts on growth rate in agriculture and employment declining during the post reform period. The growth in agriculture G.D.P. was 4.7 percent per annum during 1992-97, declined to 2.1 percent per annum during the 1997-2002 and 1.8 percent per annum during 10th plan (2002-07). But agriculture and allied sector was not much adversely affected by Covid-19 shock as it registered a growth of 3.6 percent in 2020-21 and improved to 3.4 percent in 2021-22.

Growth rate in agriculture employment in rural areas was 1.38 percent during 1983 to 1993-94, which declined to 0.12 percent during 1993-94 to 2005-06.

During this period, reduction in public sector investment in agriculture, failure to encourage sustainable farming practices, and unremunerated prices for agricultural produce and cash crops like cotton were among the factors that turned agriculture into a losing proposition. Farmer's suicides are the outcome of this continued neglect and apathy of farm sector. The Government is taking measures and policies to improve the agriculture production and profits as first comprehensive policy started in 2000 (NAP) and National Farmers Policy in 2007.

### **(3) Need for Agricultural Reforms**

For agricultural development and upliftment of farmers in India various agricultural reforms are required. The main reasons for requirement of these reforms are discussed here.

1. Majority of farmers has very small land holdings and also vast gap exists between small marginal farmers and big farmers. The average land holding of an average farmer in India is just above a hectare (Agriculture Census 2015-16), whereas in U.S.A. an average farmland has an area of 440 hectares. Such small land holdings hamper the productivity of farmers and limits the overall profit of farmers.
2. In India, agriculture is mostly dependent on rainfall and weather is unpredictable. Small farmers lack the facility of proper irrigation. These factors affect farm productivity.
3. Underemployment/Disguised unemployment in agriculture is a big problem, because more people are engaged in farm activities than required, resulted in low output per person.
4. Majority of small and marginal farmers has difficulty in getting high yielding seeds, irrigation facilities, fertilizers and modern tools of farming due to poor economic condition. So there is need of private as well as public investment in agriculture.



5. In India, farmers do not have cold storage facilities to keep their crops safely, so it is estimated that each year 30 to 40% of the entire agriculture produce is damaged and they compelled to sell their product in less prices.
6. Small farmers has not have enough knowledge of market and eradication of middle man is also very necessary, so they can get the right price of their product.

Now, there is more thrust on developing agriculture as a dynamic industry and ensuring farmers get profitable prices of their produce.

#### **4. Challenges of Agriculture Sector**

Indian farmers are facing bigger problems than the Govt. anticipation. Main problems that farmers are facing are listed below as these are the major challenges before the Government for implementation of agricultural reforms.

- (i) Awareness among farmers about new and modern technique of agriculture is very necessary for increasing productivity and profit. Though Government has taken several steps in this regard like Kisan Mela, using digital means to create awareness among famers but the active participation of farmers is very important for its success.
- (ii) Migration of agricultural labour is also a serious problem which farmers are facing. In small places and villages, labours which were earlier involved in farming, now they are migrating to cities for better livelihood opportunities. With the introduction of new and modern machinery, need for labours and knowledge is very important.
- (iii) In recent times price of input costs has risen sharply due to inflation, but minimum support prices are not increasing at that rate. The Government is also reducing subsidy on this sector, due to all these factors, farming has become less profitable and farmers are reluctant to do it.
- (iv) Farmers suffered mostly due to their debts and loans. Farmer's suicides are very serious concern for the government. The success of loan wavier lies on the extent to which benefits reach the needy farmers. There are many drawbacks in this system, it

covers only a small fraction of farmers. Loan waiving excludes agricultural laborers who are even weaker than cultivators in bearing the consequences of economic distress.

- (v) Farmers are ignorant about market access and information and unable to get proper price of their produce. Government is doing measures in this direction for spreading the market communications among farmers so that they should be well aware about the market demand and prices. There is a need to devise a reliable mechanism where farmers will be assured of price of their produce based upon 'Cost of Production Plus' approach.

## 5. Recent Agriculture Reforms in India

In our constitution, agriculture is a state subject, however Central Government also take measures so that agriculture production can be improved and also the lives of farmers. We have discussed here the various challenges of agriculture sector like farmer's suicide due to failure of crops in a year and other problems faced by farmers such as post-harvest losses, crop loss due to uncertain rainfall pattern, flood, draught etc. Central Government always comes up with the solutions of all such problems. The present Government has set a target of doubling the farmer's income by 2022, which is yet to achieve. Some important recent agricultural reforms are as follows :

### (i) **E-NAM :**

- Electronic National Agriculture Market works as Pan-India electronic trading portal which has connected all the existing APMC mandies and provides a unified national market for agriculture commodities.
- Small Farmers Agribusiness Consortium (SFAC) is the leading agency who implements e-NAM under ministry of Agriculture and Farmer's Welfare, Government of India.



- This portal is very useful as it provides uniformity in agriculture market, removes asymmetry between buyers and sellers and gives real time price discovery based on actual demand and supply.

(ii) **Pradhan Mantri Krishi Sinchai Yojana (PMKSY) :**

- This scheme is formulated with a vision of extending the coverage of irrigation 'Har Khet Ko Pani' and improving water use efficiency 'More Crop per drop'.
- This scheme emphasis towards conservation and management of water.
- It provides end to end solution on source creation, distribution, management, field application and extension activities.
- This scheme has been formulated by amalgamating on going schemes like Accelerated Irrigation Benefit Programme (AIBP), River Development & Ganga Rejuvenation (RD&GR), Intergrated Watershed Management Programme (IWMP), On Farm Water Management (OFWM).

(iii) **Paramparagat Krishi Vikas Yojana (PKVY) :**

- It is an initiative to promote organic farming in the country, in which farmers are encouraged to form groups or clusters and take to organic farming methods over large areas in the country.
- The produce will be pesticide residue free and will be beneficial for the health of consumer.
- The aim is to form 1,000 clusters and bring upto 5 lakh acres under organic farming.
- This scheme aims at empowering farmers through institutional development in farm practice management, input production, quality assurance and also in direct marketing through innovative means.
- It helps to increase soil fertility, natural resource conservation and minimize dependence of farmers on external inputs.

**(iv) Pradhan Mantri Fasal Bima Yojana (PMFBY) :**

It is an insurance scheme that integrates multiple stakeholders on a single platform. It gives both insurance coverage and financial support to the farmers in case of failure of any of the notified crop due to natural calamities, pests and diseases. It encourages farmers to adopt innovative and modern agricultural technique. A uniform premium of only 2% to be paid by farmers for all Kharif crops and 1.5% for all Rabi crops, the premium of only 5% for annual commercial and horticultural crops. So the premium rates to be paid by farmers are very low and provides security to farmers against natural calamities.

**(v) PM-KISAN (Kisan Samman Nidhi) Yojana :**

It is a direct cash transfer scheme with 100% funding from the Government of India. An income support of Rs. 6,000 per year is given to all farmer families across the country in three equal installments of 2000 each at every four month.

**(vi) PK-KISAN (Mann Dhan) Yojana :**

It is a pension scheme for small and marginal farmers of the country. This scheme is voluntary and contribution based for farmers at the entry of between 18-40 years of age. In this, farmers will get Rs. 3,000 as monthly pension after attaining the age of 60 years. This is financial support and security for farmers after a certain age.

**(vii) Essential Commodities Act, 1955 - New Amendments :**

- Recently three ordinances are passed, aiming at lifting restrictions on key commodities like cereals, pulses, onion and potato and give freedom to sell their produce directly or through e-trade platforms.
- Under this a legal framework set up to enable farmers to enter into an agreement with private sector on pricing and purchase for easing contract farming.

- The Essential Commodities Act was enforced when the country was facing food scarcity and this act allowed government to notify a commodity as 'essential' under section 2(A) and take control of its production, supply, distribution and impose a stock limit.
- These amendments helps to increase supply to the market, bring stability in prices for consumers, promote investments in storage facilities and help farmers to secure better price.
- The Farmer's Produce Trade and Commerce (Promotion and Facilitation) Bill 2020, seeks to end the monopoly of the APMC and allowed farmers to freely participate in the purchase and sale of farm produce. This legal frame work is expected to enable farmers to participate in inter-state trade or e-trade. This provision will enable private trade in farm produces and better prices for farmers by opening up wider choices in marketing and selling their produces.
- The third new regulation 'The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill, 2020 provides the legal framework for processors, aggregators, large retailers and exporters to directly engage with the farmers in a fair and transparent manner. Farmers and buyers can enter into contracts in which the former is assured of certain price at the time of sourcing, while the latter gets to procure the harvested produce at the pre-decided rate subject to quality norms.
- These recent reforms provide a facilitative legal framework that protects and empower farmers to engage with business firms for remunerative price for their farm produce.

## 6. Conclusion

Indian farming is facing several daunting challenges and due to present outbreak of Pandemic, farming society faced many issues during post harvest season of wheat crop, mainly due to migration of labors, farmers were unable to harvest crops on time and then due to back down, they were not able to sell their produce in time, but solutions are also at hand.

There are many agricultural reforms took place by government to provide a standard lifestyle to farmers and opportunities to sell their produce on electronic platform and at higher cost. I can say, these reforms would only be successfully implement when involvement of people is ensured as decision makers, monitors and evaluators.

