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Impact of Economic Reforms in Agriculture development of Indian Economy – A study

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Abstract : *Agriculture development is central to economic development of the India. It is the mainstay of the economy. This sector has always been an important contributor to Gross Domestic Product (GDP), the agricultural growth decelerated during study period, the main reason behind that the economic reform in India was primarily targeted around industrial and trade issues, thus neglecting the agricultural sector. This paper is concentrated on the impact of economic reforms on agriculture development and discusses the growth rates, GDP, work force, food grains, and exports of pre and post economic reforms period. The following findings are: a) the agricultural development process of pre and post economic reforms in India. b) One of the major constraints in the agricultural sector is infrastructure bottleneck, irrigation facilities which impede speedy adoption of improved technology. c) Lack of knowledge of the farmers about the importance of soil and market information, d) the agriculture sector which continues to be highly monsoon – dependent has been one of the major problem. The structure of the Indian economy has undergone considerable change with the impact of new economic reforms since 1991. The new reform does not bring any success in India in the field of agriculture sector.*

Key words: monsoon, agricultural sector, infrastructure, bottleneck

Introduction: "If you late in doing one thing in agriculture you are late in all things" - Cato 2nd Century B.C.

Since independence, the Indian economy had been facing a number of problems due to under utilization of resources which is common feature of developing countries. During 1991, India witnessed harsh economic threats such as the low growth rates, foreign exchange resources, fiscal deficit, balance of payment deficit and inflation rate. This chronic situation was the result of government policy which encouraged growth of public sector at the cost of private sector. However, the speedy and proper implementation of the changes has been truly under taken by the P.V. Narasimharao government from 24th July 1991. These have been implemented in the industrial, foreign trade, monetary, fiscal and other sector. The new industrial policy was announced in 1991 and the various changes were incorporated in the budget of 1991-92, these economic reforms are named as Liberalization, Privatization, and Globalization, (LPG model) this process of economic reforms is not limited with single country, and it is world wider global phenomenon, most of the nations including communist countries have joined this free and market oriented global process.

Agriculture is the mainstay of the Indian economy. The agriculture sector has always been an important contributor to India's Gross Domestic

Product (GDP). Agricultural growth decelerated during the study period. The main reason behind this is that the reform in India was primarily targeted around industrial and trade issues, thus neglecting the agricultural sector. Agriculture growth rate in India and GDP in spite of its decline in the share of the country's GDP. It is widely known that Indian industry enjoyed a high degree of protection for a long time after its stage of infancy through trade policy, what is less known is that Indian agriculture has been disprotected. Recent research relating to protection accorded to industry and agriculture, particularly during the post green revolution period, reveals that trade policies have favored industry and discriminated against agriculture. The following findings are: a) the agricultural development process of pre and post economic reforms in India. b) One of the major constraints in the agricultural sector is infrastructure bottleneck, irrigation facilities which impede speedy adoption of improved technology. c) Lack of knowledge of the farmers about the importance of soil and market information, d) the agriculture sector which continues to be highly monsoon - dependent has been one of the main problem in the field of agriculture. The structure of the Indian economy has undergone considerable change with the impact of new economic reforms since 1991. The new reform does not bring any success in the Indian in the field of agriculture sector.

Review of Literature:

The present study is focused on the impact of economic reforms on agriculture development of Indian economy of review of literature presented there has been tremendous research work in the area of impact of agriculture development. Some of the relevant research works which highlight the viewpoint of the present paper are as under:

1. **Subramanian (1993)** has analyzed that as a result of liberalization of trade, the terms of trade moves against the agricultural sector and concluded that trade liberalization would lead to higher price transmission elasticities for all unprocessed commodities except coarse cereals.
2. **Bala Subramanian (1996)** tested the hypothesis that exports promoting (EP) FDI in countries like India confer greater benefit than FDI in other sectors. They have used production function approach in which FDI is treated as an independent factor input in addition to domestic capital and labour. As FDI is a source of human capital accumulation and development of new technology for developing countries, FDI captures such externalities as learning by watching and/or doing and various spillover effects. Exports are also used as an additional factor.
3. According to **C.H. Hanumantha Rao (1998),** "There is no basis for complacency about the role of public investment in agriculture – which is vital in inducing private investment and for deriving the full benefits of economic reforms. To raise such public sector investments in, say canal irrigation or electrification, subsidies on these critical inputs need to be cut down. This requires major reforms in the pricing and institutional framework for the management of these inputs."

4. **Hsiao and Hsiao (2006)** assert that exports increase FDI by paving the way for FDI by gathering information of the host country that helps to reduce investors' transaction costs. Also FDI may reduce exports by serving foreign markets through establishment of production facilities there.

Why New Economic Reforms in India:

Economic structural transformation is essential for achieving higher rate of economic growth. This economic structural transformation is achieved either by natural autonomous process or by planned functional reformal process. In developing country like India, the economic structural transformation through autonomous process may not occur due to some economic and social issues. In this context Government's initiating for structural planned reformal process for which speedy development is required. The basic structural problems can be solved through reformal structural adjustment. Without this, we are not in a position to achieve higher rate of economic development with solving major issues. Good and efficient strategy is a precondition of victory in achieving goals. Economic reforms have an economic nature. The strategy should also on economic base. We should applied three dimensional strategies of this economic reforms a) minimizing the cost of production, b) maximizing return, 3) maximum social welfare.

Objectives of the Study:

1. To study the growth rates in agriculture of pre and post economic reforms in India.
2. To study the improvement in performance of the agriculture sector and national income (GDP).
3. To analyze easy availability of institutional credit for substantial growth in the agriculture sector with needed to small and marginal farmers.
4. To study the impact of economic reforms policies on agriculture development in India.
5. To study the agrarian structure and relations of socio - economic conditions of the rural farmers.

Methodology:

This study is exclusively based on secondary data. Which is collected from various books, journals, publications, Articles, Indian Economic Survey, Economic and Political Weekly, Economic Times, Indian Economic Journal, government website etc. To examine the first objective i.e. the role and importance of economic reforms in India and the impact on agriculture production and employment. To study the major factors that determine the effectiveness of LPG model in ensuring price stability, first, we analyzed the scope of Indian economy and to study the relationship between the GDP growth rates and agriculture growth rates in India.

Scope of the study:

The study covers the pre and post economic reforms period of agriculture sector of the Indian economy since 1991and it is exclusively about the impact of agriculture sector on the Indian Economy. There is an urgent need for speedy agriculture development in India that could be possible only by incorporating all the related sectors and the entire rural set up. However, the necessary steps for agriculture development are better availability of technology, adjustment in cropping for higher yield profitable pricing policy of farm produce and better storage and transport facilities.

Need of the study:

Agriculture is an important sector of the Indian economy and accounts for almost 14 percent of Indian Gross Domestic Products. Agriculture is the main stay of the Indian economy as it forms the backbone of rural India which engages more than 60 percent of total Indian population. The Planning Commission of India and other main governing bodies that define the future role of agriculture in India and it aim at developing agricultural sector of India. Agricultural sector of India is highly fragmented and unorganized. And the result of economic reforms given the various changes like virtual collapse of rural credit in organized sector, especially for small and marginal farmers, continuous increase of input cost and stagnant crop price, profit potential of agricultural sector has declined substantially.

Importance of Agriculture sector in India and its impact:

We will ever walk on our own path, the Indian path, for the prosperity of the Indian farmer, the Indian agriculture and the Indian motion. Agriculture is the base of the Indian economy, its progress directly related to ups and downs in the field. The economy is even today dependent on agriculture. But it is dependent on the monsoon is the basic means of livelihood for the famer, the farmers do not get profitable return on their production and they are mostly debtors. The majority of farmers have small or medium land holdings from the total lot. This class receives a considerably lesser portion of agriculture and farm income.

Reforms are essential in our country to increase agricultural production and effectively utilize the present production. This call for technological and organizational improvement within the agriculture framework, steps should be taken to increase public investment in agriculture, avail modern technology and ensure land development and land protection. Reviewing the expense incurred by the Government for agriculture the major portion covers fertilizers, irrigation, electricity, and loan subsidies. The surface irrigation subsidy in the seventh Plan was Rs.11, 800 crores which was greater than the amount allocated to large and medium irrigation schemes. The subsidy for rural electrification was Rs. 11,700 crores which is almost 3 times greater than the amount of Rs.4, 000 crores granted to the various states for the same purpose in the eighth plan. The subsidy for agriculture implements is the main expense in the overall amount for rural and farm expenses. There have been various studies that expected results have not been obtained specifically for small and marginal farmers, steps have been taken to reduce the subsidy in the new set of reforms. Subsidy for chemical fertilizers is being reduced. There is immense pressure on the Government, to reduce the subsidies for electrification, irrigation and increase the prices.

Share of agriculture GDP, work force, food grains, and exports pre and post economic reforms from 1950 - 51 to 2014 - 15

Year	Share of agriculture in GDP	Work force in Percentage	Food Grains Production In MT	Percentage of agriculture exports in total exports	Growth rate of the agriculture
1950-51	57.2	72.1	50	-	-
1960-61	56.6	72.8	82	44.2	3.3
1970-71	50.1	72.1	108	31.7	2.2
1980-81	41.1	68.8	129	30.7	1.7
1990-91	**33.2**	**66.8**	**176**	**19.4**	**3.9**
2000-01	25.1	56.7	213	14.0	2.8
2010-11	20.5	51.1	244	9.90	2.2
2014-15	13.9	49.0	257	7.95	1.1

Source: Indian economy Ruddar Datt K.P.M. Sundharam – 2014.

The share of agriculture in GDP 57.2 percent in 1950-51 it is decreased to 14 percent in 2014-15, the work force in the agriculture is 72 percent in 1950-51 decline to 49 percent in 2014-15, the production food grains 50 MTs in 1950-51 it is increased to 257 MTs in 2014-15, and exports 44.2 percent in 1950-51 it is 7.95 percent in 2014-15. The negative impact of economic reforms on the agriculture growth rate are also declined after economic reforms in agriculture sector in India due to neglecting the government of India, it is observed the growth rates and exports are slowly declined, the growth is based on efficient use of resources and conservation the soil, water, and biodiversity of the economy, it is equity i.e. which was widespread across regions and covered all farmers in rural area.

Let us now discuss the effects of the new economic policy (1991) on the agriculture. In this policy there is an effort to reduce the deficit by cutting down on Government expenses. Subsidies for crops, fertilizers and agriculture inputs which are being given and it is obvious that if these are reduced there will be direct effect on agriculture. The government states that there will be no immediate reduction in the subsidies but in the subsidy for chemical fertilisers there has been a definite reduction. This has been reduced from Rs. 5800 crores in 1992-93 to Rs. 3,500 crores in 1993-94. As a result the prices have shot up and reduction in the use of chemical fertilisers by small, medium and marginal farmers has created adverse effect on farm productivity and income.

Suggestions:

1. High priority should be given to agriculture and allied activities, increase investment and productivity, more than 60 percent of the work force engaged in this sector.
2. The focus should be given on better provision of inputs, subsides, storage and marketing facilities. It is need to intensification of agriculture through adaption of double and

multiple cropping practices and food crops should be increased.

3. There is a need to make available cheap credit to needy agricultural famers particularly small and marginal famers.
4. The agricultural sector must focus on the 85 percent of the farmers who are small and marginal, increasingly female, who find it difficult to access inputs, credit, and extension or to market their output. There is a need to encourage 'group approach' among the farmers, which will improve the bargaining power of small cultivators in contract farming, and also to avail current subsidies as on they are available only to groups rather than individuals.
5. In addition to above some alternative employment programs and opportunities should be provided to agriculture farmers, so that their income level may improve and control rural poverty.
6. There is a need to make current policies related to fertilizer power and water. The reduction in various subsidies in these areas will provide a very significant fiscal dividend for the country enabling higher public investment in agriculture.
7. Developed technologies are essential to increase productivity of small and marginal holdings which constitute 78 percent of all holdings and operated about 32 percent of total agricultural area.

Conclusion:

With the introducing of new economic reforms the agriculture sector in India has been totally neglected, the Government has concentrated only on non - agricultural sectors that have resulted in the rapid growth of development in many fields. Unfortunately the new economic reforms have led to a big gap between the farmers. However, an all round development of a country, the Government should focus on agriculture sector also, making use of modern technology of developed nations. Agriculture is the backbone of the Indian economy despite major emphasis on new economic reforms, agriculture continues to occupy a place pride in our country. Agriculture is the main source of employment more than 56 percent of the total work force is engaged in agriculture therefore it is event from this fact that other sectors of the economy could not generate enough employment for growing population. It is also plays an important role in industrial development many industries like cotton, jute, sugar, etc depend on agriculture for their raw materials. Green revolution has considerably increased the purchasing power of the farmers in recent years this for the demand for various products has witnessed a marked increase this stimulated the development of industries. It is an earner of foreign exchange through exports of agricultural commodities, through the future of Indian industrialisation, the contribution of agriculture could always prove to be vital for making India a powerful and stable economy in the future.

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