

**Subject: Political Science**  
**Semester: 4<sup>th</sup>**  
**Course: 419, Unit 3**

**Examine different impacts of economic reforms on Indian agricultural sector.**

Marks: 20

**Introduction**

Agriculture plays a vital role in the Indian economy. Over 70 per cent of the rural households depend on agriculture. Agriculture is an important sector of Indian economy as it contributes about 17% to the total GDP and provides employment to over 60% of the population. Indian agriculture has registered impressive growth over last few decades. The food grain production has increased from 51 million tones (MT) in 1950-51 to 250MT during 2011-12 highest ever since independence.

**Some salient facts about Agricultural scenario**

1. Agriculture is the largest provider of livelihood in rural India
2. It contributes 25 percent to India's GDP
3. It is still dependent primarily on the monsoons
4. The growth in agricultural production has been stagnant for the past several years.
5. The drought in north and western parts in FY09 created shortages in supply of food grains.

**The following points highlight the thirteen major impacts of liberalisation on Indian agriculture. They are:**

1. Raising the Production of Foodgrains,
2. Increasing Trend in Horticultural Output,
3. Diversification of Agriculture,
4. Increase in Floricultural Output,
5. Agricultural Exports, 6. Food Processing,
7. Rising Productivity of Agricultural Resources and Others.

**Raising the Production of Foodgrains:**

India has been experiencing the increase in the production of food-grains particularly after the inception of new agricultural strategy (i.e., Green revolution). Annual growth rate of 2.08 per cent was recorded during seventies. Annual growth rate of 3.5 per cent in food-grains in eighties. The decade of nineties could not maintain this pace and annual growth rate has fallen to 1.7 per cent. It is felt that if the country maintains 4 per cent growth rate in agricultural production, then after meeting its domestic demand, the country can export the surplus amount of foodgrains to the foreign countries.

**Increasing Trend in Horticultural Output:**

The diversity of physiographic, climate and soil characteristics enables India to grow a large variety of horticultural crops which includes fruits, vegetables, spices, cashewnut, coconut, cocoa, arecanut, root and tuber crops, medicinal and aromatic plants etc. India is the largest producer of fruits, and second largest producer of vegetables.

**Diversification of Agriculture:**

Agriculture is not only meeting the demand for food-grains but also other needs of development. In recent years, agricultural sector has been diversified to produce commercial crops and horticultural crops viz., fruits, vegetables, spices, cashew, arecanut, coconut and floricultural products like flowers, orchards etc. dairy and other animal husbandry products.

**Increase in Floricultural Output:**

About 31,000 hectares of land spread over Karnataka, Tamil Nadu, Andhra Pradesh and West Bengal are under flower production. Since the inception of liberalisation, commercial farming of floricultural activities has been increasing gradually. The demand for Indian cut flower is increasing continuously in the international market.

**Agricultural Exports:**

Another important emerging trend of agriculture is the increasing volume of agricultural exports. Agricultural exports are playing an important role in expanding economic activities along with generating employment opportunities. The Export-Import Policy (Exim) 2002-03 has provided ample opportunities for increasing the volume of agricultural exports.

**Food Processing:**

Economic liberalisation has made ample scope for the development and expansion of food processing industry in India. The Government is also offering necessary incentives by exempting the industry from excise duty. In order to invite foreign capital into this industry the Government has permitted 51 per cent foreign equity partnership and also offered prompt approval of foreign technology transfer to the food processing industry of the country.

**Rising Productivity of Agricultural Resources:**

Another impact of liberalisation has been felt that it boosted the productivity of agricultural resources. Improvement in the productivity of resources is being done through better allocation of resources and latest technology between different areas under present circumstances.

**Developing Agriculture in Backward Areas:**

In the post-Green Revolution period, application of new agricultural strategy, research and technology was very much restricted in the production of two main crops i.e. wheat and rice. But under the liberalisation wave, with the growing demand for agricultural exports, many new areas of agricultural operations have become favourable and lucrative.

In backward areas, having no irrigation system, dry land farming is becoming popular. The other activities like horticulture, floriculture, animal husbandry, fishery etc. have been encouraged.

**More Employment Opportunities, in Agricultural Sector:**

As a result of Green revolution and mechanisation there is considerable fall in employment opportunities in the rural areas. Even special employment programmes could not serve the purpose. But increasing potentiality of the agricultural sector as emerged from the liberalisation/globalisation wave has set up new trends in horticultural, floricultural and animal product and has created ample opportunities and scope for employment of huge number of population. This allied sector being labour intensive can provide better solution to the unemployment problem specially rural India.

**Growing Volume of Subsidies:**

The volume of subsidies granted to agriculture, in respect of fertiliser, irrigation and electricity charges etc. has been increasing in our country. Out of these total amount of about 75 per cent is allotted in the area of fertiliser and foodgrains. Under the present era of liberalisation, although there is a move to reduce the volume of subsidies in the budget but political compulsion have prevented the government to undertake that move.

**Growing Trend of Investment in Agriculture:**

Agricultural sector is experiencing a growing trend in the volume of its investment during the post liberalisation period. The share of public sector investment has declined from 28.2 per cent in 1993-94 to 21.0 per cent in 1998-99. On the other hand, the share of private sector investment in agriculture has increased considerably from 71.8 per cent in 1993-94 to 79.0 per cent in 1998-99.

**Institutionalisation of Agricultural Credit:**

The wave of liberalisation has encouraged the institutional agricultural credit. In the initial stage of post independence period, Indian farmers were depending too much on unorganised sources of agricultural credit, i.e. on village money lenders, landlords, traders etc. who charge exorbitantly higher rate of interest.

**Conclusion**

1. Change is happening in rural India but it has still a long way to go
2. Agriculture has benefited from improved farming techniques but the growth is not equitable
3. Land use is changing in rural areas as farmers are getting good value for their holdings. The effort should be to stop the migration to urban areas
4. Wholesale prices are primarily used to monitor the weekly price movements.
5. The number of essential commodities should be reduced to an absolute minimum, especially the non-food crops.