Agrarian Crisis in India: Causes and Remedies

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More than twenty years of economic liberalisation had adversely affected the Indian agriculture. The most prominent sign of this is in the drastic decline in the growth rate of food grains. The rate of growth of agricultural output was gradually increasing in 1950-1990, and it was more than the rate of growth of the population. In the 1980s the agricultural output grew at about four per cent per annum. India has attained self-sufficiency in wheat and rice.

But after liberalisation and towards the end of the 90’s the rate of growth declined to 2 per cent. The rate of growth of agriculture and allied sectors was just one per cent per annum during the year 2002-05. As a result, per capita availability of food grains decreased; the growth rate of population became higher than that of food grains and India started to import food grains at a much higher price than that in the domestic market. Further, agriculture (including allied activities) accounted for only 14 per cent of the Gross Domestic Product (GDP at constant prices) in 2012-13 (Economic Survey2013-14) while it was 15.2 per cent during the 11th plan period. But, the role of agricultural sector remains critical as it accounts for about 54.6 per cent of the employment in the country, (2011 census) apart from being the provider of food for the people, fodder for livestock and raw materials to industries. Based on the fact that, the relative contribution of agriculture to the GDP has been declining over time whereas there is not much decline in the percentage of people depending on this, it could be inferred that the performance of the sector is depressing. In general, the poor performance of agricultural production and food production is not a healthy sign for the economy.

Trends in Indian Agriculture and Crisis

Agriculture was considered to be the backbone of Indian economy and its contribution to the National Income was estimated at about 57 per cent in the early fifties. This position got altered steadily and significantly since then (Table 1). In 2000-01, the contribution of agriculture to GDP was halved again to about 26 per cent. In 2007-08, it is estimated that agriculture contributes only 19.78 percent to the GDP. Though it is expected that in the process of development the sectoral contribution to the GDP would change, the issue is whether the observed trends in India’s agricultural sector’s share over time is desirable. The reality is that, still it accounts for about 54.6 per cent of the employment in the country where as this percentage is much less in advanced countries.

CAUSES:

Declining Growth Rate in Agriculture

Statistics show that not only the contribution made by the agricultural sector to the overall GDP has declined but also the growth of agriculture sector itself is declining gradually (Table-1 and Table-2).

Liberal Import of Agricultural Products

One of the reasons for the crash of prices of agricultural products, especially of cash crops, in India was removal of all restrictions to import these products. As, for example, when the Government of India reduced the import duty on tea and coffee from Sri Lanka and Malaysia, their prices in the domestic market got reduced drastically. Thus cultivation of such products became unprofitable and so their production was fully or partly stopped. Since the removal of quantitative restrictions and lowering of import duties were according to the restrictions of the World Trade Organisations (WTO), the crash in the prices of agricultural products is directly related to the liberalisation policy of the government.

Reduction in Agricultural Subsidies

In the post-reform period the government reduced different types of subsidies to agriculture, and this has increased the production cost of cultivation. Cutback in subsidy and control of fertilisers over the last few years has adversely affected the agricultural sector. It has increased the input cost and made agriculture less profitable. The decrease in subsidy to agriculture is part of the regulations of the WTO which is binding on the developing countries. The Table below shows the comparison of some countries regarding subsidies to agriculture and also the percentage of population depending on agriculture.

Lack of Easy and Cheap Loan to Agriculture

After 1991 the lending pattern of commercial banks, including nationalised banks, to agriculture considerably changed with the result that loan was not easily available and the interest was not affordable. This has forced the farmers to rely on moneylenders and thus pushed up the spending on agriculture. The National Commission for Agriculture, headed by Dr M.S. Swaminathan, also pointed out that removal of the lending facilities and concessions of banks during the post-reform period have accelerated the crisis in agriculture. When the farmers were not able to pay back loan with high interest, they fell into the debt trap. Studies show that most of the farmers’ suicides were due to the debt trap. It is part of the policy of privatisation that banks, even nationalised banks, look for profit over their societal responsibilities to the people. Credit is often considered to be the key element in increasing the productivity in agriculture through modernisation.

Decline in Government Investment in the Agricultural Sector

Studies show that after the economic reforms started, the government’s expenditure and investment in the agricultural sector have been drastically reduced. This is based on the policy of minimum intervention by the government due to the policy of globalisation. The expenditure of the government in rural development, including agriculture, irrigation, flood control, village industry, energy and transport, declined from an
average of 14.5 per cent in 1986-1990 to six per cent in 1995-2000. When the economic reforms started, the annual rate of growth of irrigated land was 2.62 per cent; later it got reduced to 0.5 per cent in the post-reform period. As a result of this, rate of capital formation in agriculture came down, and the agricultural growth rate was also reduced. This has affected the purchasing power of the rural people and subsequently their standard of living.

Apart from this there are many other reasons like taking over of land by Government for industrial purposes and acquisition of fertile land for special economic zones.

**Remedial Measures for Betterment of Agriculture**

The agricultural crisis is affecting a majority of the people in India. The farmers who produce food materials for the country are in deep suffering. The marginalised people like the Dalits and tribals, who depend on agriculture, are getting unemployed and struggling for their livelihood. The ordinary people, especially the poor, have lost their food security. The crisis in agriculture is a crisis of the country as a whole and so needs urgent attention. Some of the remedial measures are being listed here.

Since the import policy was the major reason for the crash in prices of many agricultural products, there should be restrictions on the quantity and customs duty of such products. Quantitative restrictions should be imposed on import of agricultural products. It is required to impose import duty and quantitative restrictions on imported goods to protect our farmers.

Subsidy and concessions given to agriculture sector should be increased. This is a must to make agriculture remunerative. One of the main disputes in the Doha Round of talks is the high subsidy given by the United States and European Union to their farmers in spite of the WTO regulation. India should affirm its right to give adequate subsidy to its farmers to offset the rising cost of cultivation and protect their living.

Credit facilities should be easily made available to the farmers, especially since the input cost of agriculture has gone up. The government should seriously think of providing loans to farmers at low rate of interest by banks and other financial institutions. In fact, the M.S. Swaminathan Commission for Agriculture has recommended a low rate of four per cent interest for the farmers.

The government should increase its investment and expenditure in the agriculture sector. One reason for the agricultural stagnation is low government expenditure. Investment in agriculture and its allied sectors, including irrigation, transport, communication and farm research, should be significantly increased, and the government should aim at integrated development of the rural areas. Effective implementation of National Rural Employment Guarantee Scheme can also become a means of revival of the rural economy as agriculture is already overcrowded.

According to the Swaminathan Commission, unless agriculture is made a profitable enterprise, its present crisis cannot be solved. The Commission has suggested 50 per cent more of the total production cost as supportive price for food grains. So, there is a need for periodic revision of the procurement prices for farm produce. This will help the farmers to meet the increasing expenses for farm inputs and ensure at least remunerative income.

**REFERENCES**

[10] NSSO 70th Round.