

Aspects of major changes in agriculture sector in Indian economy in post liberalisation era

Sarvesh Singh

Research Scholar, Department of Commerce & Business Administration University of Allahabad, Utter Pradesh, India

Abstract

Agriculture has been considered as backbone of Indian economy. Today, India ranks second in worldwide output. The economic contribution of agriculture to India's GDP has steadily been declining with the country's broad-based economic growth. Agriculture plays a vital role in the overall socio-economic fabric of India. Our Country has made progress in agriculture but productivity of our major agricultural crops is very low in Comparison to other countries' India has a very high share of labour (55%) with lesser contribution to farm mechanisation (40%) India makes farming less remunerative and leads to farmers poverty. While USA (2.5%) and Western Europe (3.9%) has very low share of labour in comparison to 95 percent share of mechanization.

Keywords: productivity, GDP, mechanization, economic growth, liberalisation

Objectives

1. To analyze the agriculture sector in post liberalisation era.
2. To visualise major problems in Agriculture.
3. To evaluate policies affecting agricultural development in India.

Methodology

The study has been basically carried forward with the help of secondary data. The secondary data was collected from published and unpublished records and reports of central Government and concerned departments and other relevant publications.

Major focus of study has been given on temporal data to understand the change in the agriculture sector. After collecting the data, comparison has made. Next the data has presented through suitable cartographic techniques.

Landscape of Agricultural Development in Post-Liberalisation Era

India witnessed a major shift in policies in almost every sector in economy in post- liberalisation era. The country achieved close to 5 percent average annual rate of growth in agriculture during 8th plan (1992-93 to 1996-97) and fixed a target of 4.5 percent growth for the 9th plan (1997-2002). Against this target, the actual growth rate turned out to be 2.48 percent during the 9th as well as 10th plan. The target growth rate was fixed at 4 percent for 11th plan and the same has been kept for the 12th plan. Unlike the previous two five years plans, the 11th plan recorded an average growth rate of 4.06 percent in the agricultural GDP. The growth rate during 2012-13, which is the first year of the 12th plan has been 1.4 percent and the advance estimate for 2013-14 which is the second year of 12th plan, puts the growth rate at 4.6 percent.

GDP of agriculture witnessed a structural break in the year 1995-96, which brought down the growth trajectory, followed by another break in the year 2004-05, which turned the growth path upward. The same can also be seen from the decadal

trend growth rates in the agricultural GDP beginning with the decade 1971-72 to 1980-81 and ending with the decade 2003-04 to 2012-13 (Fig1), when ten years period is used to estimate trend growth rates, two clear breaks are observed, one in 1996-97 and another in 2005-06.

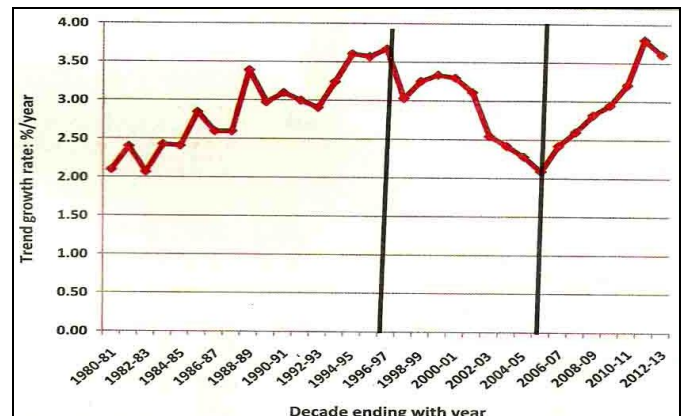


Fig 1: Growth Trajectory of GDP Agriculture in various decades form 1971-72/1980-81 to 2003-04/2012/13

On the basis of above evidence, the performance of agriculture during the last two decades can be divided in two phases:

1. Phase I: from 1995-96 to 2005-06 (representing a period of slowdown in agriculture).
2. Phase II: beginning with year 2005-06 and onward (representing a period of recovery and acceleration in growth).

To carry forward the analysis, a comparison of growth rates achieved during the decade beginning from 2004-05 is made with the previous two decades. The data on GDP of the sector agriculture and allied after 2004-05 is available till year 2012-13 i.e. for nine years. The trend of growth rates in GDP during recent decade (nine years only) at constant prices and for similar two previous periods is presented in Fig (2).

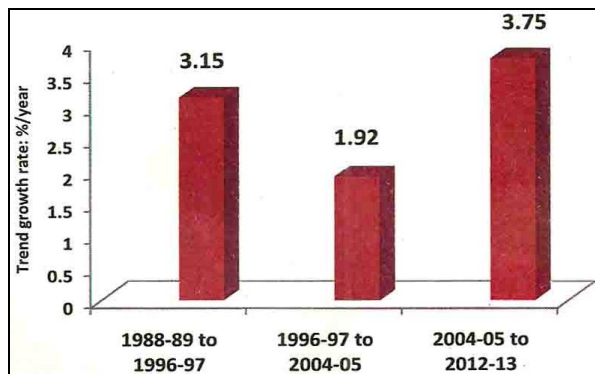


Fig 2: Growth Rate in GDP Agriculture and Allied Sector at 2004-05 Prices

Above analysis shows that Indian agriculture moved on a growth trajectory of 3.15 percent per annum during 1988-89 to 1996-97 which plummeted to 1.92 percent in the next nine years. This was a very low growth having several adverse effects on farm economy and livelihood of farming community and posed a serious threat to the national food security. Initiatives were taken towards the end of 10th plan and during 11th plan to revive the sector. Consequently, the growth rate accelerated to 3.75 percent during 2004-05 to 2012-13. It is a matter of pride for the country that agriculture sector moved back on long term growth trajectory and now approaching targeted growth rate of 4 percent.

Major Problems in Agriculture Sector

Indian agriculture has faced many hurdles in path of its development. Slow pace of agricultural growth is a concern for policy makers as some two-thirds of India's people depend on rural employment for a living. Current agricultural practices are neither economically nor environmentally sustainable and India's yields for many agricultural commodities are low. Poorly maintained irrigation systems and almost universal lack of good extension services are among the factors responsible. Farmer's access to markets is hampered by poor roads, rudimentary market infrastructure and excessive regulation.

With a population of just over 1.2 billion, India is the world's largest democracy. In the past decade, the country has witnessed accelerated economic growth, emerged as a global player with the world's third largest economy in purchasing power parity terms (PPP), and made progress towards achieving most of the Millennium Development Goals. India's integration into the global economy has been accompanied by impressive economic growth that has brought significant economic and social benefits to the country.

Aspects of Policy Dimension of Agriculture Sector

The national Policy on Agriculture seeks to actualize the vast untapped growth potential of Indian agriculture, strengthen rural infrastructure to support faster agricultural development, promote value addition, accelerate the growth of agro business, create employment in rural areas, secure a fair standard of living for the farmers and agricultural workers and their families, discourage migration to urban areas and face the challenges arising out of economic liberalization and globalization.

The salient features of the new agricultural policy

1. Over 4 percent annual growth rate aimed over next two decades.
2. Greater private sector participation through contract farming.
3. Price protection for farmers.
4. National agricultural insurance scheme to be launched.
5. Dismantling of restrictions on movement of agricultural commodities throughout the country.
6. Rational utilization of country's water resources for optimum use of irrigation potential.
7. High priority to development of animal husbandry.
8. Capital inflow and assured markets for crop production.
9. Minimize fluctuations in commodity prices.
10. Continuous monitoring of international prices.
11. Plant varieties to be protected through legislation.
12. Adequate and timely supply of quality inputs to farmers.
13. High priority to rural electrification.
14. Setting up of agro-processing units and creation of off-farm employment in rural areas.

Conclusion

India managed to attain food self-sufficiency through a combination of technology-policy-institution framework. However, other functions of agriculture, namely providing surpluses and forward and backward linkages to non-agricultural sectors have largely remained unrealized. A policy reorientation to increase rural industrialization and skill improvement of the rural labour force is needed to move labour out of agriculture and increase productivity in agriculture. A better access of farmers to input and output markets technology and rural infrastructure are needed. It is necessary to make sufficient investments to support climate change to adaptation and Mitigation, technology development transfer and dissemination among farmers.

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