

# Critical Policy Issues for Modernizing Indian Agriculture

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**Abstract:** In the post-Independence era, Indian Agriculture has made significant progress in terms of increasing production to achieve self-sufficiency, however concerns are expressed for the long term sustainability of the performance on account of the constraints by the limits to the availability of posed scarce resources. This paper examines the critical policy issues for modernizing Indian Agriculture.

**Keywords:** Sustainability, Constraints, Self Sufficiency, Agriculture.

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## 1. INTRODUCTION

The post-Independence decades have witnessed a veritable transformation in Indian agriculture. There is an increase in production of food grains which saved the country from one of the gravest crises since Independence. The increase in production was made possible by expansion of irrigation spread of new technology and additions to rural infrastructure like irrigation works, roads, market yards and warehouses.

These changes in the physical features of agriculture incorporates the institutional changes like new credit institutions, extension agencies, regulated markets, control of money lenders. The cumulative effect of these changes has been reflected in the farmers- their perceptions, attitudes and behavior and in the changing features of rural communities such as stratification, diversification, commercialization and exposure to outside influences. The total process bringing about these wide ranging changes could be described as modernization of Agriculture but the main concern whether this is sustainable or not because of the constraints posed by the limits to the availability of scarce resources.

This paper focused on the critical policy issues for modernizing agriculture which can restrict the growth of Agriculture.

## 2. CRITICAL POLICY ISSUES

The pace and pattern of agricultural development are largely conditioned by the growth of infrastructural facilities of irrigation, road, market, power, cold storage, etc. An adequate and efficient infrastructure system is essential for realising the potential of the agriculture sector.

According to V.M Rao and P.D. Jeromi, the priority tasks are:

1. Capital formation in the public sector should be augmented. Money saved from the reduction in subsidy for agricultural inputs should be utilised for this purpose.
2. In view of the resource constraints, capital formation requirement needs to be prioritized.
3. Inter-state variations in capital formation need to be reduced.
4. Delays in disbursement of funds under Rural Infrastructure Development (RIDF) should be eliminated.

## 3. AGRICULTURAL CREDIT

An efficient and effective rural credit delivery system is necessary for providing timely, adequate and equitable access to credit for raising agricultural productivity and incomes. Equitable access to institutional credit is important in the context of relative scarcity of credit and the high cost of informal credit.

India has been following three pronged strategy for developing rural credit.

That is:

1. Promotion of institutional structure
2. Direct lending
3. Concessional or subsidized credit.

Over the years, rural credit system has been suffering from a number of weaknesses. They are:

1. Limited outreach, skewness in the availability of credit in different regions, sectors and sections of the farming community.
2. Lower recovery loans.
3. Loss making institutions.

It is an irony of economic history that India which was a pioneer in evolving its own brand of institutional framework for rural credit today finds its entire rural credit system in a moribund state.

**The priority tasks are:**

1. Increase the outreach of the formal financial institutions, especially to the small and marginal farmers.
2. Continuation of credit targeting for ensuring adequacy of credit in the agricultural sector.
3. Progressively link SHGs with formal credit institution for reducing transaction cost and high loan recovery.

**Agricultural Insurance:**

Crop insurance need to be considered as only one among the various alternatives available for reducing the difficulties of the farming community. Crop insurance covers only production risk and not market risk arising out fluctuations in prices and unprofitable prices.

**The priority tasks are:**

1. Enhance the coverage of agricultural insurance scheme to entire production process including post-harvest storage and processing.
2. Integration of agricultural insurance with credit institutions.
3. Encourage private participation in crop insurance.

#### **4. GLOBALIZATION**

The objectives of globalization are to improve the allocative efficiency of resources and orient production based on comparative advantage of the country. In Indian context, globalization involves reduction of import duties on the highly protected manufacturing sector and freeing agricultural exports and imports.

Issues to be addressed in the context of globalization of the agricultural sector are:

1. Self-sufficiency in production
2. Price stability
3. Cropping pattern
4. Adverse effects on weaker sections
5. WTO commitments.

Ashok Gulati writes that despite some of the trade liberalization measure, foodgrains sector still remains largely controlled and insulated from the global markets, in view of the food security objective. In case of cash crops, exports are allowed when there is enough surplus and are imported when there is a net deficit. Hence, there is a view that agricultural trade is still talking place as a 'residual' between domestic demand and supply rather than as a policy instrument to integrate domestic agriculture with the world agriculture.

**Priority tasks are:**

1. Food self-sufficiency at the national level is desirable so that the reliance on trade can be kept within limits.
2. Safetynets are needed to protect the interests of crops, people and regions which are likely to be affected by globalization.
3. Precautions on imports are necessary in view of the removal of quantitative restrictions.
4. Agricultural exports policies need to be synchronised with the import policies to avoid price fluctuations. There is a need for sequencing of measures. In view of the removal of quantitative restriction in the coming days, tariffication process needs to be done judiciously.

**5. WATERSHED DEVELOPMENT**

There are still about 60 million hectares of arable land and 15 million hectares of non-arable land which needs to be covered under various watershed programmes.

At present, watershed development and soil conservation have been treated as a sectoral activity of erosion control. This need to be changed and follow a holistic approach, encompassing land, water, animal and human resources to meet the water and bio-mass needs of the people on sustainable basis.

The emphasis should change from mere soil conservation to land husbandry. The potentials of all farm and non-farm activities for the creation of adequate livelihood, income and employment opportunities in each watershed would be explored and utilized.

Besides, the watershed development programmes should gradually shift from Centre to State or even local bodies and ultimately the people themselves should plan, execute and maintain them.

The overall long term objective of all such programmes is to improve the livelihood system of rural people in rainfed areas through:

1. Improvement in environment/ecology by conserving and developing natural resources namely, land, water, perennial vegetation, etc.
2. Improvement in production and productivity of crops, animals, trees, etc.
3. Improvement in income and employment opportunities for the people, particularly the landless poor and women.

**The priority tasks are:**

1. Watershed programmes should be more people oriented and panchayats should be actively encouraged, with people's participation in various rainfed areas.

**6. RESEARCH AND DEVELOPMENT**

There is need to break the yield barrier and bridge the gap between the potential and actual yield through research and development (R&D) efforts. ICAR studies reveals that there is vast unexplored technological potential for improvement in the yield of crops. In this context Swaminathan noted that the "low yield phenomena" in India should be considered as a "yield reservoir" and it should be treated as an asset for future development of the agriculture sector. Exploiting the "yield reservoir", inter alia, require substantial investment and development and deployment of high yielding seed varieties.

In India, research support for the agricultural sector is provided by:

- a. Government agencies
- b. International agricultural research centers.
- c. Imported technology
- d. Private Indian research.

India is considered as having the largest public agricultural research establishments in the world.

Studies show that public research show that public research and extension have been the major sources of increase in the total factor productivity in Indian agriculture during the post-green revolution period. Therefore, for achieving greater gains, public investment in research and extension needs to be increased.

Two main areas on which R&D efforts are needed:

1. Genetic resources management and biotechnology.
2. Natural resource management and agro-ecology.

World over the focus is on bio-technology. On the need for bio-technology, it is observed that the tool of bio-technology, including genetic engineering and tissue culture offer possibilities for breaking the yield barriers, especially in the unfavourable agro-climatic regions.

**Priority tasks are:**

1. Greater public investment in research and development.
2. Encourage private sector participation in areas like natural resource management and biotechnology.

## 7. NON-FARMER SECTOR

Till Seventies, the significance of Non-Farm Sector (NFS) in generating employment and income to the rural household did not receive adequate attention in India. NFS need to be developed for creation of employment opportunities and earnings for rural households.

A vibrant modern agricultural sector is based on strong forward and backward linkages with the industry and NFS. Rural non-farm activities can also play an important role in containing large-scale rural-urban migration.

Strong backward linkages with the agricultural sector and forward linkages with the modern manufacturing sector are imperative for the growth and prosperity of the non-farm sector. Literature on Indian experience reveals that there exist weak production inter-linkages, the reason being the surplus labour in the economy.

**Priority tasks are:**

1. Development of a sound and enduring non-farm sector for creation of employment in the rural sector.
2. Credit requirements of NFS needs to be met by financial institutions. SHGs can be feasible intermediaries to finance non-farm activities.

## 8. CONCLUSION

Thus, in order to sustain the growth various policy issues have been taken into account. Capital formation in the public sector should be augmented. Money saved from the reduction in subsidy should be utilized for capital formation. There is an urgent need to link SHGs with formal credit institutions for reducing transaction and high recovery. Agricultural export policies need to be synchronised with the import policies to avoid price fluctuations. There is a need for sequencing of measures. In view of the removal of quantitative restriction in the coming days, tariffication process needs to be done judiciously.

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