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AGRICULTURAL GOVERNANCE REFORMS & ITS IMPACT ON INDIAN ECONOMY

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ABSTRACT

India has made remarkable steps on the agricultural front during the last three spans. Much of the acknowledgment for this victory should go to the numerous million small farming families that make the pillar of Indian agriculture and economy. Agricultural policy of a country is mostly designed by the Government for raising agricultural creation and efficiency and also for raising the level of income and standard of living of farmers within a certain period. This policy is framed for the development of the agricultural sector. In India, the main objectives of agricultural policy are to remove the key difficulties of agricultural segment related to inappropriate and unproductive uses of natural resources and irrelevant growth of cooperative farming. Agriculture is one of the significant strengths of Indian economy. Agriculture has distinct implication for little revenue, deprived and helpless sectors of pastoral civilization. India's agriculture policy attempts to guarantee that farming is lucrative and farm prices are steady over guaranteed minimum support prices (MSP) to farmers and confirming subsidized food access to underprivileged consumers through the Public Distribution System (PDS) [Pingali et al., 2017]. Since the initial 1990s, India has experienced considerable economic strategy reform and economic growth. Though reforms in agricultural policy have wrapped those in other segments, they have nevertheless shaped a rather additional economic alignment.

- ***Purpose of Research:*** *In this study, we appraise the fortification and provision against disfortification of cultivation in India as well as to get the explanations of suffering of farmers. Our methodology involves inspecting market price support (MPS) for various crops*
- ***Design/Methodology/Approach:*** *The article is developed reviewing the existing literature as well as on Agricultural Policies*
- ***Findings:*** *An important finding from the study is that Price controls may be used to assist farmers. Consideration should also be given to well-adjusted practice of nutrients.*
- ***Originality/Value:*** *In this paper, there is an effort to offer indication on how subsidizing agribusiness may reassure farmers to endure on the land-living and get certain revenue which might be pertinent to a third world nation with many farmhand farmers.*

KEYWORDS: *Policy, Agricultural Policy, Subsidizing, Rural Poverty, Farmers, Farming System.*

Introduction

Agriculture may account for even-handed 17 per cent of India’s prosperity but it accounts aimed at nearby 50 per cent of employment creation. A disaster in the segment is also not a innovative singularity as development has been escaping it for numerous years at the present. But what caused the stream of queries from the MPs was the unambiguous understanding that the much exposed exertions - subsidies, freebies, MSP, farm loan waivers - may not even be on condition that indicative reprieve to the established agribusiness difficulties not withstanding India registering a high food grain production of 284.83 million tonnes in 2017-18.

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Agricultural policy defines a set of laws linking to native cultivation and importations of overseas agricultural crops. Governments typically instrument agricultural strategies with the goalmouth of attaining a precise result in the domestic agronomic item for consumption marketplaces. Involvement over agricultural policy is a very significant occurrence in the agricultural sector in various nations. Often, the involvement takes place over and done with the market, and the aim is to expand or alleviate the economic situations. The critical encounters faced by the Indian agricultural sector in general due to poor socioeconomic conditions, lack of technical knowledge, illiteracy, awareness, small land holdings including transformation leading to unproductive land and catastrophes. These are ultimately leading the nation to rural poverty. Also weather-dependent low per-capita income, undersized physical substructures, farming systems, and incompetent administrative measures connected with the reasonably in elevation cost of cultivated production are also the significances of this difficulties. Regular disasters and human-induced ecological deprivation are thoroughly linked with enhanced farming structures. India has insufficient substructure and facilities because of near to the ground disbursement.

Objective

Why do we need an agricultural price policy? And, most importantly, what does it all mean for the unfortunate farmer?

There are Specific Ways in which Indian Farmers are Fettered

- **The government has over the years, under the pretext of shielding farmers**, relentlessly limited the market for their harvest. This is entrenched through the agriculture produce market committee (APMC). It is obvious that a larger market means more consumers can contest for the produce qualifying prices. However, the APMC prevents this, by dividing the market geographically into different regions and a farmer can only sell to the mandi in his region. Further, traders in a mandi need a licence. This prevents consumers, wholesale and retail food companies from buying directly from the farmer. The farmer be given disheartened prices, while the final consumer pays a high value for the produce. All the money goes to the politically sanctified and licenced intermediaries.
- **The minimum support price (MSP)**The government assurances high prices, to "help" farmers, but unable to deliver on those promises by actually buying all the produce. Farmers harvest more with high expectant MSP and are enforced to dump their crop when MSPs are not provided. Indian farmers cry when they have a plentiful produce as prices and MSP get reduced. One reason for this is also that India has heavily regulated or banned futures transaction in agriculture.
- **The most difficult restraint is that farmers have been deprived of a market for land**, their biggest strength. In several cases, farmers are inadmissible to sell their land to non-farmers, and they cannot themselves easily alter the usage of their land. This has limited the market for agricultural land and the farmers, thus, are unable to exit farming.
- **Land titling records are not proper**. Thugs may own land unlawfully in areas where there are no upright documentations. Without proper documentations, the capability to increase acclaim using land as security is inadequate. The government has regulated local financiers by restraining the interest tariffs, reducing right of entry to credit. Here farmers only have state-owned banks and cooperatives to try for credit and are at the compassion of government guidelines to avail farm finances.
- **The controlled inputs by farmers**. By controlling inputs like water, electricity, seeds, and fertilizer, politicians can offer subsidies as a political tool. Farmers are prevented from buying most of their inputs due to Essential Commodities Act. The government forces the farmers top lead for and have faith in on subsidies. In lieu of that government promises free electricity and water, which are unpredictable and unreliable because of the enormous scar cities triggered deprived of a price system.
- **Farmers are not permissible to try-out with first-hand and new technologies**. Government does not allow the farmers to try new technology in fertilizer, machinery, or pesticides. So, farmers must wait for a new technology which needs to be introduced. The most challenging is the limited prohibition on genetically modified (GM) seeds. GM seeds are more resilient to pests and microbes, and reduce the need for other inputs such as pesticides, water and fertilizer, which is a huge gains for farmers. So, conducting tests and experimentations which has done illegally has emerged for GM seeds, damaging equally farmers and produce.

- **Seeds**

Seed is the most important input for attaining higher crop yields to attain high growth in agricultural production. Dissemination of quality seed is critical too. Inopportunely, good quality seeds are not viable and out of reach of the majority of farmers, particularly small and marginal farmers due to excessive prices of better seeds.

To solve this problem, the Government of India established the National Seeds Corporation (NSC) in 1963 and the State Farmers Corporation of India (SFCI) in 1969. Thirteen State Seed Corporations (SSCs) were also established to extend the supply of better-quality seeds to the farmers: The role of seed industry is to produce adequate quantity of quality seeds and at the same time to achieve varietal diversity to suit various agro-climatic zones of the country.

- **Composts, fertilizers**

Composts and fertilizers play a big role to soils as a well-nurtured and cultivated soil is capable of giving good yields. It has been estimated that about 70 per cent of growth in agricultural production can be attributed to improved and increased manure application.

- **Irrigation**

In India only one-third of the cropped area is under irrigation. It is the most vital agricultural input in a hot torrential rain country like India where rainfall is indeterminate, untrustworthy and unpredictable. India cannot accomplish continued development in agriculture unless and until more than half of the cropped area is carried under guaranteed irrigation. Further, a lot of productive agricultural land is wasted in providing boundaries. Under such conditions, the farmer cannot focus on further improvement.

- **Lack of mechanisation**

Agricultural implements and machinery are a vital input for well-organized and well-timed agricultural operations, facilitating multiple cropping and thereby growing production. Little or no use of machines is made in ploughing, sowing, irrigating, thinning and pruning which results in huge wastage of human labour and in low yields per capita labour force. So there is an urgent need to mechanise the agricultural operations to avoid wastage of labourforce.

- **Agricultural marketing**

Agricultural marketing remains to be in a wicked form in rural India. In the absence of marketing facilities, the farmers have to rely upon local traders and middlemen for the disposal of their farm produce which is sold at throw-away price. Many a times these farmers are enforced, under socio-economic conditions, to go with distress sale of their produce. In most of small villages, the farmers sell their produce to the money lender from whom they usually borrow money as a result they cannot derive any benefit.

- **Insufficient storage**

Absence of Storage facilities in the rural areas are compelled the farmers to sell their produce instantly soon after the crop at the dominant market prices which are bound to be low. Such distress sale denies genuine income of the farmers. The Parse Committee estimated the post-harvest losses at 9.3 per cent of which nearly 6.6 per cent occurred due to poor storage conditions alone. Scientific storage is very much required to avoid losses and to benefit the farmers. This scheme provides storage facilities to the farmers near their fields and in particular to the small and marginal farmers.

- **Insufficient transport facility**

Lack of cheap and efficient means of transportation make the farmers unable to carry their produce to the main market which forced them to sell it in the local market at low price.

- **Shortage of capital**

Agriculture is an important industry which requires capital for the advancement of farm technology. The main providers of fund to the farmer are the money-lenders, traders and commission agents who demands high rate of interest and purchase the agricultural produce at very low price. All India Rural Credit Survey Committee showed that in 1950-51 the share of money lenders stood at as high as 68.6 per cent of the total rural credit and in 1975-76 their share declined to 43 per cent of the credit needs of the farmers. Here the money lender is losing ground but is still the single largest provider of agricultural credit. Rural credit system has experienced an important transformation and institutional agencies such as Central Cooperative Banks, State Cooperative Banks, Commercial Banks, Cooperative Credit Agencies and some Government Agencies are outspreading credits to farmers on a very relaxed terms and conditions.

Small farmers use money saved from loan waiver for consumption which results in lower agricultural produce for small farmers during next loan cycles. On the other hand, the big and mid-size farmers (with more than 2 ha of landholding size) actually gain from farm loan waivers. While small farmers receiving less money from banks where as big farmers using their loans to buy farm equipment such as tractors and combine harvesters. The problematic situation is that in many harvests in good monsoon years, production and productivity rises, the farmer hardly covers his cost but during drought years, he never ever covers his cost. So he loses both the ways.

MSP and the distressed farmers Farmers can avail a few benefits from procurement at MSP in terms of farm revenues and cost. Since the circumstances force the farmers to sell their small lots of marketable surplus at prices below the announced MSPs while having to buy their inputs at high prices, poor farmers may get as little as 25% of the prices that consumers finally pay for their harvest. In the case of rice and wheat, wholesale traders are able to buy the produce at rock-bottom post-harvest prices from small producers then sell them to FCI at much higher MSPs. Releasing the farmers from the commands of money lenders, distressed farmers need not only depend on the government to recover their viability rather they can rely on cooperation led by women's self-help groups, for mobilizing credit and later for other activities like marketing and purchasing of inputs and machinery to land pooling, water management, organic agriculture, dairy, fishery and even some non-farm activities.

The farmers can be free to sell their crop for as much as they wish, if the prices should fall below a minimum level, so that farmers can get fair returns for their hard work. But the farmer groups argued that MSP has no meaning if it does not cover the actual cost incurred by the farmer.

The production cost should include:

- Input cost
- Labour cost
- Imputed rent
- Interest on owned land and capital.

The MSP Alert indicates that farmers are not getting less determined MSP which is for most crops. The government says all farmers will benefit from procurement which is actually not happening. Policy interventions Gigantic restructuring of government policies and programmes required to remove the hurdles that are holding back Indian agricultural incomes. For doubling Farmers' Income policy interventions and investments are highly needed. Despite of Indian corporate sectors have demonstrated several scalable ideas and projects, individual farmers' investment remains still high as 98 per cent for infrastructure creation. Since enhancing farmer income is key to farmer welfare and the future of Indian agriculture considerable efforts should have been taken to support farmers.

How to Resolve Farmers' Distress

If non-agricultural sectors were to engross the manual labour force into jobs at an adequate level, then farmer's distress could be minimized. But that is not happening. So we greatly need to shore up the quality of livelihood in agriculture for economically engagement. Farmers' indebtedness has not changed significantly despite substantial increase in agriculture production and productivity levels over the years. Substantial efforts have been taken in channelizing institutional credit to farmers and raising farm credit with allocations increasing by Rs 1 lakh crore.

Two measures could be:

- **Institutional Strong Point**: The limitation of Indian farmers is their small and uneconomical size of assets. This can be overcome by encouraging the formation of farmer producer organisations (FPOs) which help farmers overcome their unorganised nature. It can be connected them too to institutional finance through a much more secure mechanism of warehouse receipt finance through FPOs.
- **Better Decision-Making**: The lack of availability of complete information and recommended provision to make farming decisions is a big obstacle. An independent national set-up could be created with a PPP at the block/district level to make available essential information that would empower farmers to make the right decisions –starting from choice of crop and cropping practices, to harvesting and sales. This would supplement input procurement sustenance to small and marginal farmers, including direct cash transfer, as well as can make stronger the effectiveness of free market mechanism for guaranteeing remunerative prices.

GoI should think of designing a procurement policy to region-specific crops for greater environmental sustainability towards rural developmental programmes, rather than boost loan waivers which only worsen farm distress.

Conclusion

Direct benefit should transfer to farmers to reduce farm distress. For instance, government can spend money for building more canals and warehouses, on rural electrification. Loan waivers are not the only solution. Since loan waivers are often identified as a politically advantageous, rapid solution need to identify policies which will do the most social good relative to their costs across all sectors of government. The study concludes that many of the interventions of today are not successful because of many reasons. If those interventions had been implemented that time, it would have taken India in one of the tops in the list of financial inclusion.

Findings

Mostly small farmers do not find the comfort ability for growing fresh, consumable and perishable crops. Due to storage problem nearly 20% of India's fresh produce is wasted as well as small farmers sell their output to the village-level aggregators from whom they usually take loans for harvests at a higher rate. The study finds that trade-loan link rises through two channels: first, by increasing loan necessity and refund compulsions through high input prices and interest rates.

Social Implications

This is a matter of concern that farm revenue has moved down despite high food grain and horticulture production in the last two years.. Alternative schemes of procurement and compensation mechanism for crops are distortionary and unsustainable in the long run, besides being a fiscal burden. India's agriculture is getting weighed down because of inefficient crop monitoring, lack of policy preparedness and inadequate crop insurance which have been a source of dilemma for the farmers. To enhance productivity, agriculture policy should be counter these issues through technological intervention

Suggestions

Loan waivers can only be a temporary relaxing which unreasonably assistances medium and large farmers, parting out minimal farmers who are more opened to informal and easy loans. It is almost unmanageable for the government to acquire all crops at minimum support prices (MSPs). The forward-looking should be a mix of different approaches like support prices, direct income transfers and freeing up agricultural markets from the hold of the controlling merchant lobby. The idea of transferring some money upfront to the farmer before every crop season could be an added advantage to reduce farmers distress. Government can procure directly from farmers at MSP to help farmers growing pulses with better prices. If urgent reforms in agricultural markets can happen then the wedge between wholesale and retail prices will be reduced and both farmers and consumers would be benefitted.

To solve farmers' income problems, Govt has to solve its procurement, storage facility and marketing problems. Huge investment should be in marketing infrastructure, storage and food processing will allow direct buying from farmer producer organisations (FPOs), bypassing the ancientmandi system. The other problem faced by the Indian farmer is that they are frequently at a loss because they are not aware of useful market intelligence on what to plant. If different agriculture departments in states can promote cultivation of perishables and push farmers with incentives, then a visible growth in production could be noticed.

Practical Implications

There is a need for policy initiatives to breakdown the trade-loan nexus to lessen the dependence of farmers on money lenders. The primary reason is the inability of farmers to get remunerative prices, due to the predominant cut off with the value chain causing from market irregularity and apathetic institutional and infrastructure back up. Greater focus is required on enhancing the loan repayment capacity and better price realisations. To eliminate rural deprivation innovative methods of farming is required. Rural poverty is being characterized by the poverty of rural human beings and the poverty of weather prone rural areas. The dreadful conditions of natural resource is getting affected by drought or flood or by global warming which affect the land adversely, making rural people poor. A major difficulty hampering the growth of farming is the transport facilities. Since the transport systems do not function as normally required, they should do usually so agricultural development are in a tumble-down condition. So we need to look at reforms in agriculture to improve our productivity.

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