



## **IMPACT OF POLICY DEPENDENCY, REFORMS AND AGRICULTURAL ECONOMICS PRODUCTIVITY: A STUDY**

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### *Abstract*

This research focussed on policy dependency, reforms and agricultural economics productivity. One proportion of economic growth is given by productivity growth as it shapes the reason for upgrades in genuine incomes and welfare. The idea of productivity growth picked up significance for supporting yield growth as time goes on as info growth alone is deficient in generating yield growth as a result of unavoidable losses to include use. This research, which looks at India's productivity growth in the agricultural sector with regards to globalization, has three fundamental points. In the first place, it analyses these conceivable connections in the agricultural sector as a rule. Second, it examines the issues and prospects for agricultural productivity growth of different Indian states. Third, the research features the challenges of globalization and draws policy suggestions for the accomplishment of Indian agriculture.

### **1. OVERVIEW**

The Indian economy is ruled by agriculture, which represents over half of the GDP, 90% of fare income, and 88% of the work constraint. Worker farming is by a long shot the most overwhelming sub-sector, representing over 97% of the agricultural yield. Almost 80% of the laborer production is intended for home utilization and production of seed. In contrast to the development of different nations, the smallholder's farm estimate has declined after some time. The present national normal farm size of the smallholders is around one hectare contrasted with around two hectares three decades back.

Developing populace, partisan creation of the populace and land possession structure are factors causing the turnaround development of the little farm sizes. The performance of agriculture has been somewhat baffling in the course of the most recent three decades. Dry season, improper institutional and economic policy structures under the communist framework, low dimensions of public consumption in agriculture, declining soil ripeness, sub-economic property, constrained utilization of present-day information sources, for example, manure and improved seeds, absence of training, and poor foundation are regularly accused as causal factors for the poor performance of agriculture. Then again, the populace developed at a yearly

rate of 3%. With fluctuating agricultural production levels prompting incessant yearly pessimistic growth rates, it has turned out to be hard to sustain the expanding number of individuals, prompting reliance on food help. On the off chance that this issue of expanding food uncertainty is to be settled, production should keep pace with the populace. The increase in agricultural production can be accomplished either through growing the developed area or through strengthening, i.e., expanding the productivity of developed land. In spite of the fact that a blend of the two measures is by all accounts a proper answer for the food security issue, the decision set is constrained for different reasons.

- **Economic Policy Reforms**

In accordance with the standards of an arranged economy, the previous Ethiopian government nationalized all private and business farms; constrained private interest in the agricultural sector; constrained the villagization of laborers; built up automatic producers' affiliations and administration cooperatives, controlled agricultural markets; set up a government parastatal which constrained farmers to convey a specific offer of their yields as portion at low prices; prohibited private traders from participating in grain exchanging and furthermore confined the free development of grain inside the nation both by producers and traders. After the toppling of the communist government, the present government of Ethiopia, as a team with the worldwide budgetary organizations, has

found a way to execute economic policy reforms to upgrade economic development[1].

Reliable with the standards of a free market economy, measures have been taken which diminish the job of the public sector in agriculture and other productive sectors through justification and divestiture of parastatals. These measures incorporate cheapening of swapping scale in 1993 from Birr 2.07 to Birr 5.00 against one US \$, evacuation of manure sponsorships and container regional evaluating framework in 1997; association of private traders in the supply of composts to farmers; nullification of value controls on agricultural wares (skillet regional estimating); and privatization of public organizations.

Cooperative farms disassembled totally with the fall of the Dreg routine, and the number of states claimed and oversaw farms has been diminished. All expenses and endowments on fares were killed, and state trading endeavours are required to take an interest intensely with private undertakings. To encourage outer trade, a few local support foundations were likewise associated with the execution of the change strategies. These support establishments, for the most part, the Ethiopian Export Promotion Agency, are occupied with the arrangement of information on worldwide markets, preparing, and directing investigations of exportable products.

- **Strategic Depends**

There are three major conditions that determine the extent to which governments are likely to respond to this persuasion. First, the more the sector is (like agriculture) subject to inevitable relative decline as economic progress occurs, simply by Engel's Law, the greater the pressure for support and protection. Second, the more coherent are the production systems and sectors with electoral constituency sympathies, and the more fundamental are the products of the system to survival and prosperity, the more likely it is that government support for the sector will be forthcoming – that the winners will be willing to pay.

This dependency (however not generally so titled) has, obviously, been all around reported for a wide range of cases, for instance, the exemplary investigation of Japanese rural policy [2].

Multi-usefulness is reproduced and sustained as a sustainable purpose behind farm support frameworks, again more enthusiastically proposed and guarded in the old world than the new, preconditioned for what it's worth by the prevalence of a local laborer class and related structures, including the program dependencies [3-4].

## **2. PERFORMANCE OF THE ECONOMY AFTER THE INTRODUCTION OF POLICY REFORMS**

Assessments on the performance of the economy after the implementation of the

policy reforms in 1990s are mixed. This is largely due to the growth in the industrial and service sectors that recovered after experiencing a decline in the previous years as a result of unfavourable economic policies. Owing mainly to the strong recovery from a very low base or negative growth rates (-3.7%) in the previous year, the growth rate was 12% in 1992/93. Growth rates were 10.6% and 9% for 1995/96 and 2000/01, respectively mainly because of the favourable weather conditions in these years [5].

But the growth rate fell to -1.2% in 1997/98 because of the bad weather conditions which reduced agricultural production. Performance of agriculture depends largely on rainfall which means that rainfall is a major factor influencing the performance of the Ethiopian economy even in the face of favourable economic policy. There is a lack of resources and irrigation technology to compensate for low rainfall in drought periods. Although increased use of fertilizer and learning by doing has raised output in areas with potential for more productive growth, productivity has declined in less productive areas. The decline in productivity growth in the latter case is largely due to decreased and non-optimal size of holdings and environmental degradation of land[6].

As a result of currency devaluation, fertilizer prices increased dramatically in 1993 and this caused a decline in fertilizer consumption in the following years. The emerged situation forced the government to introduce fertilizer subsidies. The subsidies

were later reduced and finally eliminated altogether in 1997. The subsidy amounted to 15%, 20%, 30%, 20% and 0% of the fertilizer prices in 1993, 1994, 1995, 1996 and 1997, respectively. The complete removal of the subsidy resulted in a persistent low level of fertilizer usage in farming and subsequent productivity decline. In recent years rapid population growth, combined with lack of agricultural development has brought far-reaching changes in the living situation of the rural population in general and farmers in particular. Continuous cultivation of lands without measures to restore soil fertility and soil erosion has led to a high degree of land degradation which, coupled with frequent droughts, has resulted in increasing food insecurity and risk of hunger. Land fragmentation is another factor contributing to low levels of production. It is therefore clear that the reforms have not been successful in reducing the widespread poverty in the country.

### **3. AGRICULTURAL PRODUCTIVITY AND INDUSTRIALIZATION**

The job of agricultural productivity on economic development has been one of the major issues of dialog in development economics. The subject of how an improvement in the productivity of agriculture is identified with the process of industrialization and basic change in an economy has fascinated numerous ages of financial experts and policy creators. The wide agreement is that an improvement in agricultural productivity ought to move

work from agriculture to industry and in this manner encouraging the process of industrialization. The rationale behind this contention pursues from the way that an improvement in agricultural productivity requires less work to create a similar measure of agricultural great. In this manner, productivity improvement drives work out of this sector.

Growth in income from the nonfarm sector in rural India in the course of the most recent 30 years has been generous, and the essential wellspring of this growth, the development of rural industry, isn't predicated on extension of nearby agricultural productivity. In reality, as would be foreseen by a model in which rural industry delivering tradable merchandise searches out low-wage areas, factory growth was biggest in those areas that did not profit by the upgrade of nearby agricultural productivity growth over the examination period. At the point when agricultural productivity growth came as a selection of hereditarily designed soybean seeds (which they call 'work sparing' mechanical change), it prompts a business growth in the industrial sector. Be that as it may, if there should arise an occurrence of a selection of second-reap maize (which they call 'work one-sided' mechanical change), agricultural productivity growth prompts a reduction in the industrial business.

### **4. ECONOMIC LIBERALISATION AND INDIAN AGRICULTURE**

The initiation of economic reforms in India in 1991 brought about major changes in the macroeconomic policy framework of the planned economy that existed in India during 1950-51 to 1990-91. Although no direct reference was made to agriculture, it was argued that the new macroeconomic policy framework, in particular, changes in exchange and trade policy, devaluation of the currency, gradual dismantling of the industrial licensing system and reduction in industrial protection would benefit tradable agriculture by ending discrimination against it and by turning the terms of trade in its favour.

## **5. ECONOMIC REFORMS AND ITS IMPACT ON AGRICULTURAL SECTOR**

The economic (both small scale and full scale) reforms were presented in India since the center of 1991 have gotten wide consideration all around. In particular, basic reforms were presented in industrial, trade and budgetary sectors to increase productivity by improving efficiency and to increase the intensity of the Indian assembling sector. In spite of the fact that these reforms are welcome, yet they have pulled in some analysis. One such analysis is that agriculture and united sectors which give business to most of the populace were to a great extent left immaculate by change measures.

At the point when agriculture is given a more extensive and more grounded business introduction through expansion and esteem

expansion, this would support both public and private interest in the sector. The gainfulness in agriculture would incite further innovative advancement and rising productivity. Such improvement in yield, productivity and income would additionally fuel fabricating sector growth through increased interest for information sources and customer merchandise. It is additionally contended that enhancements in agricultural productivity would incite asset streams from agriculture to the assembling sector, in this way animating its growth. These contentions depend on the supposition that a two-way relationship exists among agriculture and assembling sectors in India, and that the underlying upgrade for accelerated growth ought to be started inside the agricultural sector. If these suspicions are substantial, at that point the government's methodology of concentrating on the industrial sector isn't wrongly engaged, as proposed by certain faultfinders, yet rather ought to be balanced with a higher need for agriculture. India, which is one of the biggest agricultural-based economies, stayed shut until the mid-1990s.

By 1991, there was developing mindfulness that the internal looking import substitution and exaggerated swapping scale policy combined with different local strategies sought after amid the previous four decades, constrained enterprising basic leadership in numerous areas and brought about a mind-boggling expense local industrial structure that was out of line with world prices. Subsequently, the new economic policy of 1991 pushed both outside sector reforms in

the conversion scale, trade and remote speculation approach, and inner reforms in areas, for example, industrial policy, cost and dissemination controls, and monetary rebuilding in the money related and public sectors. Moreover, India's enrollment and promise to World Trade Organization (WTO) in 1995 was a reasonable indication of India's expectation to exploit globalization and face the challenge of quickening its economic growth.

The commencement of economic reforms in India in 1991 achieved major changes in the macroeconomic policy outline work of the arranged economy that existed in India amid 1950-51 to 1990-91. Albeit no immediate reference was made to agriculture, it was contended that the new macroeconomic policy structure, specifically, changes in return and trade policy, debasement of the cash, progressive disassembling of the industrial permitting framework and reduction in industrial assurance would benefit tradable agriculture by completion victimization it and by turning the terms of trade to support its.

## 6. CONCLUSION

It demonstrated that at a sufficiently high dimension of agricultural productivity, a further increase in agricultural productivity prompts industrialization. Agricultural productivity growth can in this way encourage industrialization even in a little open economy. Although our model is fundamentally founded on shut economy presumption, we show comparative

outcomes hold in an open economy even with no administration sector and it's not-traceability as expected in their research. Improvement in agricultural productivity drives work out of agriculture and into the business (they call it 'push factor'). With an improvement in productivity in the non-agriculture sector, work is pulled in toward this sector far from agriculture (they call it 'pull factor').

Macroeconomic strategies set the system for steadiness in which agricultural producers operate and are a piece of the determinant of the economy's growth performance. A central issue in long haul development, just as momentary policy, is the degree to which agriculture can and ought to be exhausted. Tax assessment of agriculture is one of the numerous instruments by which governments certainly or expressly mediate in the operation of agricultural markets. The different instruments of intervention are exhibited and examined in detail. Access to arrive (and to waters for angling) is the premise of agricultural production.

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